

MONTANA TREASURE STATE ENDOWMENT PROGRAM

APPLICATION GUIDELINES

MONTANA DEPARTMENT OF COMMERCE

Anthony J. Preite, Director

Dave Cole, Administrator
Community Development Division

Jim Edgcomb, Manager
Treasure State Endowment Program (TSEP)


Kim Hayes and Neal Ullman, TSEP Program Specialists

Richard Knatterud, TSEP Engineer

Lisa Huff, TSEP Program Assistant

2007

Construction Grant Applications Due No Later Than May 2, 2008

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
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INTRODUCTION

The Treasure State Endowment Program (TSEP) is a state-funded program created in 1992 as a result of Legislative Referendum 110. It is designed to help solve serious health and safety problems and assist communities with the financing of public facilities projects. The program helps local governments with constructing or upgrading drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges. The Montana Department of Commerce (MDOC) encourages local officials, staff and engineers to consider whether TSEP funds could help finance a local infrastructure project.

Approximately \$18 million will be available for TSEP construction grants awarded through the 2009 Legislature. May 2, 2008 is the deadline for submitting construction grant applications. Applications for preliminary engineering grants will be accepted at any time after March 31, 2009, until there are no more TSEP preliminary engineering funds available. Requests for emergency assistance are accepted at any time, until there are no more TSEP emergency funds available.

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These application guidelines explain how cities, towns, counties, special purpose districts, and tribal governments can apply for TSEP financial assistance. **The application form for construction projects, and the outline of the preliminary engineering report and environmental requirements are found in a separate publication, the *Uniform Application for Montana Public Facility Projects, Sixth Edition*, which is available from MDOC upon request.** Both of these publications are also available on computer disk upon request and through the TSEP web page located at http://comdev.mt.gov/CDD_TSEP.asp. Both of these publications are formatted in Microsoft Word 2000 (9.0.6926 SP-3) for Windows.

If you have any questions regarding the *TSEP Application Guidelines*, or the application form, preliminary engineering report outline and environmental checklist that are found in the *Uniform Application for Montana Public Facility Projects, Sixth Edition*, or other aspects of the Treasure State Endowment Program, contact:

Montana Department of Commerce
Treasure State Endowment Program
301 South Park Avenue
PO Box 200523
Helena, MT 59620-0523

Telephone: (406) 841-2770 - FAX: (406) 841-2771

E- mail address: jedgcomb@ mt.gov

Web page: http://comdev.mt.gov/CDD_TSEP.asp

The Department of Commerce does not discriminate on the basis of disability in admission to, access to, or operations of its program, services, or activities. Individuals, who need aids or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known. Please provide as much advance notice as possible for requests.

There are a variety of resources available to assist applicants, including several technical guides that are available by contacting the TSEP staff. Some of the publications local officials may find useful as they are working on public facility problems, include:

- ❑ *Planning and Financing Community Water and Sewer Systems in Montana*
- ❑ *County Bridge and Road Capital Improvement Planning and Financing Manual* (also useful to towns and cities for street improvements)
- ❑ *Building It Right – A Public Facilities Construction Administration Manual*
- ❑ *Financial Assistance Programs Funding Water, Wastewater and Solid Waste Projects in Montana* (this is a one page summary of the various funding programs)
- ❑ *Directory of Grant Writing Consultants and Grant Administrators*

The following two publications are no longer published. A new publication on capital improvements planning is in the process of being created by the MDOC staff.

- ❑ *A Handbook: Capital Facilities Scheduling and Financing*
- ❑ *The Mini Capital Improvements Plan for Small Towns*

Applicants can obtain census information, along with their target rate, using the Internet by going to: http://comdev.mt.gov/CDD_TSEP_Search.asp. If the applicant does not have access to the Internet, contact the TSEP staff for the information.

The Montana Department of Commerce's Census and Economic Information Center (CEIC) also provides a variety of useful information and maps. Contact the CEIC at 301 South Park Avenue, Helena, Montana 59620; telephone 841-2740; or the CEIC web page located at <http://ceic.commerce.state.mt.us>. A wide variety of CEIC data, including demographic and socioeconomic data for the State of Montana and its 56 counties, can be accessed via the CEIC web page. Maps identifying the census districts within each county are also available. Microfiche copies are free, but there is a charge for paper copies.

Maps of Montana's counties, cities and towns, and some unincorporated communities, can be ordered from the Transportation Planning Division, Montana Department of Transportation, 2701 Prospect Avenue, Helena, Montana 59620 (Telephone 444-6119). Information about the maps that are available from MDT can be accessed via the MDT web page located at <http://www.mdt.mt.gov/travinfo/maps>.

Maps of designated flood plains may be ordered from the Montana Department of Natural Resources and Conservation, Water Operations Bureau, 1424 9th Avenue, Helena, Montana 59620 (Telephone 444-6654). A wide variety of water resource-related information can also be accessed via the DNRC web page located at <http://www.dnrc.mt.gov/wrd/home.htm>.

Maps depicting a variety of natural resource related information including topographic maps, may also be ordered from the Montana State Library, Natural Resources Information System (NRIS), 1515 East Sixth Avenue, Helena, MT 59620 (Telephone 444-2987). The NRIS data can also be accessed via the NRIS web page located at <http://www.nris.state.mt.us>.

SUMMARY

1. Cities, towns, counties, consolidated governments, county or multi-county water, sewer, or solid waste districts, and tribal governments are eligible to apply for TSEP grants. (See *Section I for details about eligible applicants.*)
2. Projects eligible for TSEP assistance include drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges. (See *Section II for details about the different types of eligible projects.*)
3. Eligible applicants can apply for funds for construction grants, preliminary engineering grants, and grants for emergency situations.
 - ❑ TSEP construction grants are awarded by the Legislature, which convenes every two years. **The next deadline for submitting TSEP construction applications to be considered by the 2009 Legislature is May 2, 2008.** The Department estimates that approximately \$18 million will be available to award for TSEP construction grants. (See *Section III for details about construction grants.*)
 - ❑ TSEP preliminary engineering grants are awarded by MDOC. The Legislature appropriated \$600,000 for the 2009 biennium. (See *Section IV for details about preliminary engineering grants.*)
 - ❑ TSEP emergency grants are also awarded by MDOC. The Legislature appropriated \$100,000 for the 2009 biennium. (See *Section V for details about emergency grants.*)
4. There are various administrative procedures and requirements that go along with receiving TSEP funds. Applicants should review the applicable type of financial assistance to find out about some of the more important procedures and requirements. The *TSEP Project Administration Manual*, which contains all of the administrative procedures and requirements related to being awarded TSEP funds, can be viewed by going to the TSEP web page located at http://comdev.mt.gov/CDD_TSEP.asp.
5. For information about TSEP projects previously approved by the Legislature visit the TSEP web page.

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The 2005 Legislature eliminated three types of TSEP financial assistance that were never utilized by local governments, including: loans for construction projects at a subsidized interest rate, loans for preliminary engineering studies, and annual debt service subsidies for construction projects. ¶

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SECTION I. ELIGIBLE APPLICANTS

- A. Eligible applicants for TSEP assistance include any:
1. Incorporated city or town,
 2. County,
 3. Consolidated government,
 4. County or multi-county water, sewer, or solid waste district, or
 5. Tribal government (includes any federally recognized Indian tribe within the State of Montana).
- B. Private water or sewer users associations are not eligible to apply for TSEP funds, because they are not a public entity. In order to apply for TSEP funds an association would first have to be legally created as a county or multi-county water and sewer district (pursuant to sections 7-13-22 and 23, MCA) before submitting a TSEP application.

Non-public entities are not eligible for TSEP assistance. Under Article V, Section 11 of the Montana Constitution, the Legislature is prohibited from making any appropriation for religious, charitable, industrial, educational, or benevolent purposes to any private individual, private association, or private corporation not under the control of the State.

- C. Rural improvement districts (RID) created by the county in order to build a water or sewer system, and subsequently managed and operated by a county, have often encountered problems in assuring the effective long-term maintenance and operation of those public facilities. While an RID can be a practical mechanism for financing a project, TSEP does not consider this type of arrangement to be a good mechanism for the long-term management and operation of a water or wastewater system. However, it can also be difficult to get a county water and sewer district created in a timely manner in order to submit an application for a construction grant without having to wait another two years. As a result of comments received in 2005, the Department will now allow counties to apply on behalf of an RID, with the condition that the RID must be legally created as a county or multi-county water and sewer district (pursuant to sections 7-13-22 and 23, MCA) before any TSEP construction grant funds will be released.

Sometimes rural areas outside of an incorporated municipality, or a county water and sewer district, want to be served by an existing system, but do not want, or may not be allowed, to be annexed. However, if an incorporated municipality, or a county water and sewer district allows these adjacent areas to be connected to its system, an RID is typically utilized to fund the project so that only those properties benefited by the improvements are paying for the project. Since a RID is not eligible to apply for

funding, the county, or the municipality or the county water and sewer district which would extend service to them with an existing system, are allowed to apply for TSEP construction funds for the improvements, without the adjacent area being required to form as a county water and sewer district. An interlocal agreement would be required between all of the parties involved to assure the long-term operation and maintenance of the proposed improvements.

Under the interlocal agreement, the incorporated municipality, or county water and sewer district, to which the proposed improvements would be connected, must have the authority to charge user fees sufficient to properly operate and maintain the proposed improvements over the duration of the agreement. The duration of the interlocal agreement must be for a period of time no less than the expected life of the improvements. The interlocal agreement would only be allowed to be voided in one of the following situations:

1. if the adjacent area being served, along with the infrastructure improvements, were to be annexed into the incorporated municipality or county water and sewer district,
2. if the ownership of, and responsibility for, the proposed improvements were to be permanently transferred to the incorporated municipality or county water and sewer district, or
3. if the area being served by the improvements were to form as a county water and sewer district, and it constructed any remaining portions of the system needed in order to allow it to be a stand-alone system.

A project as described above would require, at the time of applying for TSEP funds, a memorandum of understanding signed by all of the parties involved that they understand the scope of the project and are in basic agreement as to what is being proposed. The memorandum should summarize the scope of the project, how the system would be managed and operated, and how the improvements would be funded in the short and long-term. Prior to TSEP providing any funds that might be awarded, a signed interlocal agreement would be required.

However, any proposed improvements to stand-alone systems, or the construction of a new system, that are entirely operated and maintained by the county through an RID must be legally created as a county water and sewer district before an application may be submitted.

- D. Counties are allowed to apply for a TSEP preliminary engineering grant in order to study problems related to subdivisions or areas of the county that have not yet formed as a county water and sewer district. However, a county water and sewer district would need to be legally created for the area being studied prior to applying for a construction grant.
- E. Cities and towns are allowed to apply for a TSEP preliminary engineering grant in order to study problems related to subdivisions or areas outside of the city's boundaries in order to study the area for possible annexation or to decide whether to

provide services to the area.

- F. A specific geographic area, such as a neighborhood, within an eligible applicant's jurisdiction may be proposed for a project. Typically, a special improvement district (SID) would be utilized for funding the project so that those properties benefited by the improvements are paying for the project. The target rate, which is the minimum user rate that TSEP expects residences to be paying after the project, would be based on households in just the project area and not the entire jurisdiction of the applicant.
- G. Projects may be undertaken jointly by two or more eligible applicants in order to provide the most appropriate and cost-effective solution to an infrastructure problem. One of the applicants must be designated as the lead applicant and accept full responsibility for administrative and financial management during the term of the project.

Applicants must have the management capacity to undertake and satisfactorily complete the project and assure proper management of TSEP funds. In addition, TSEP recipients must also have the capacity to assure the long-term operation and management of the system. The TSEP recipient must be in compliance with the auditing and reporting requirements and demonstrate to the Department that it has established a financial accounting system that can properly account for the grant funds. Funds will not be provided to TSEP recipients until an acceptable financial management system has been established.

SECTION II. ELIGIBLE PROJECTS

A. ELIGIBLE PROJECTS

Types of projects eligible for TSEP assistance include:

1. Drinking water systems
2. Wastewater treatment systems
3. Sanitary sewer or storm sewer systems
4. Solid waste disposal and separation systems, including site acquisition, preparation, or monitoring
5. Bridges

Bridges that are proposed to be replaced with appropriately sized culvert-type structures are eligible for TSEP assistance. However, a culvert that is proposed to be replaced with another culvert is generally not eligible for TSEP assistance. Pedestrian bridges while eligible, are not likely to score high enough to be funded unless the applicant can document that serious health or safety issues are going to be resolved. Contact the TSEP staff to discuss unusual situations to ensure that your proposed project would be considered eligible and competitive.

Proposed construction projects submitted to TSEP for funding must be comprised of “stand-alone” activities. In other words, they must be able to reasonably resolve a deficiency without a subsequent phase and another grant from TSEP or other sources. The intent of the requirement is not to preclude phased projects, but rather to ensure that substantive improvements and public health and safety benefits result from the project that do not require additional funds to complete. It would not require the complete elimination of a particular type of problem, such as inflow and infiltration throughout the entire sewer collection system, which may only be completely eliminated after two or more phases. The intent of this requirement is to preclude preliminary-type work from being funded that would only result in a substantive improvement once additional funds were obtained and the project can be completed. If there are elements of a project that the Department does not consider to be “stand-alone,” the Department may recommend that that portion of the proposed project not be funded.

The kinds of projects eligible under TSEP are community-type systems. Individual, on-site facilities, such as wells and septic tanks that serve only one or two residences are not eligible for TSEP funds. On-site septic tanks that are a component of an approved community-type wastewater collection system may be considered eligible at the discretion of the Department.

Typically, only one type of eligible public facility is submitted as a TSEP project. However, a TSEP project may address the needs of more than one of the above types of eligible public facilities if the proposed activities:

1. Are clearly complementary and in support of one other, and are reasonable and appropriate to conduct in a coordinated manner;
2. Will result in greater efficiencies and cost savings for design and construction; and
3. Will enhance the overall impact of the project in providing a long-term solution to the identified public facility problems.

For example, a community needs to make improvements to both their water and wastewater systems. There are serious deficiencies with the water system and the system also needs to be expanded. The improvements to the water system will require that the wastewater system have a greater capacity to treat the additional effluent. In addition, streets will need to be torn up to access both water and sewer lines. In this case, it makes good sense to make improvements to both systems at the same time.

Ranking of Projects Involving Multiple Facilities or Multiple Bridges

Applicants considering a project involving multiple facilities, should ensure that the public facilities under consideration have:

- a. a comparable need for the proposed improvements; and
- b. the proposed technical solutions are equally appropriate and would achieve a reasonable impact on the needs for each public facility.

If these two criteria are not met, each public facility involved in the project may be ranked individually on any particular statutory priority. If it is appropriate to rank each public facility individually, the score will be determined by prorating the scores assigned to the statutory priority based on the percent of the total project cost that each public facility represents.

As a result, a water system that does not have any serious problems when combined with a wastewater system, with very serious problems, could make the application, as a whole, less competitive than if the application was only for the wastewater system project. Similarly, if one bridge, which does not have serious problems, is combined with another bridge, with very serious problems, it could make the application, as a whole, less competitive.

SECTION III. CONSTRUCTION GRANTS

The next deadline for submitting an application for a construction grant is May 2, 2008.

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Because some of the grantees awarded a TSEP construction grant by the 2007 Legislature may not be able to obtain all of the funds necessary to meet start-up conditions and receive the TSEP grant, a new application will be accepted for the same or modified project. If the applicant is recommended for a new grant, a condition would be submitted to the 2009 Legislature that the recommended grant would be terminated if the applicant ultimately meets start-up conditions by June 30, 2009 and receives the TSEP grant awarded by the 2007 Legislature.

If requested by the applicant, TSEP will allow the applicant to keep the scores for Statutory Priorities #1 and #3 that were assigned in 2006. However, if any component of the proposed project has changed from what was proposed to TSEP in 2006, the Department reserves the right to re-evaluate the PER and/or assign a score different from the one assigned in 2006.

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A. General Requirements

TSEP matching grants are intended to make construction projects more affordable for local residents by lowering projected user charges or special assessments to reasonable levels. **Requests for matching grants are limited to a maximum of \$750,000 per application regardless of the number of public facilities involved in the project.** However, in order to qualify for the maximum of \$750,000, the applicant's combined user rates must be at least 150 percent of the community's "target rate" (based upon the projected monthly rates with TSEP assistance) upon completion of a proposed water, wastewater project, storm drain, or solid waste project. Applicants whose combined user rates are less than 150 percent of the community's "target rate" are limited to a maximum of \$500,000. Counties with bridge projects are simply limited to a maximum of \$750,000. Two or more eligible applicants may apply independently for funding a project that may be coordinated as part of a larger project, such as a small regional water system. In this case, each applicant would be eligible to apply for the maximum grant. The amount that will ultimately be recommended will be based on a financial analysis as described in Appendix D (TSEP Application Review Process).

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If residential user rates are raised beyond the amount necessary to complete the proposed project in order to qualify for a TSEP grant, a particular funding amount, or simply to be more competitive, the applicant must agree to maintain that level of user rates. However, applicants will not be recommended for more than \$500,000 if residential user rates are artificially raised beyond the amount necessary to complete the proposed project

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A matching grant request may not exceed \$20,000 per benefited household. Undeveloped, vacant lots, at the end of the construction project, are not counted as benefited households. In order to be recommended for more than \$20,000 per benefited household, the applicant must meet all three of the following tests:

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- ☐ a very serious deficiency exists in a community facility or service, or the community lacks the facility or service entirely; and adverse consequences clearly attributable to the

deficiency have occurred, or are likely to occur in the near term (scores at a level four or five on Statutory Priority #1); and it has been determined by MDOC that the proposed project will correct the deficiencies; and

- ❑ upon completion of a proposed water, wastewater project, storm drain, or solid waste user rates would be at least 1½ times the community's "target rate" (based upon the projected monthly rates with TSEP assistance), or in the case of bridge projects, the county must be able to demonstrate an extreme lack of financial resources relative to the other counties in the State; and
- ❑ other sources of funding are not reasonably available.

For water, wastewater and solid waste projects, other funds are not considered reasonably available if the applicant is either not eligible for funding from a typical source of funding, is not likely to receive funding, or the applicant has applied for, but not been selected for funding. For bridge projects, the Department will look at the entire revenue picture of the county in order to determine if it appears that funds could be shifted to apply toward the project.

Notice

Meeting the three tests does not guarantee that applicants will be recommended for a grant that exceeds the \$20,000 per benefited household or for a hardship grant, which is discussed below. Other factors may be taken into account by the Department when making its recommendations to the Governor and Legislature, including issues such as whether the project area is comprised of a high percentage of second homes that are not the primary residence of their owners, or is comprised of a high percentage of un-developed, vacant lots. The number of un-developed, vacant lots will be based on what has been developed at the time the application is submitted unless the applicant can adequately demonstrate that development was prohibited by a county or state agency. The Department may allow some currently vacant lots to be counted as a benefited household if the applicant can document that they will be developed upon completion of the construction project.

The Legislature's Joint Long-Range Planning Subcommittee confirmed during the 2005 session, that the primary intent of the program is to provide assistance in order to help ensure that Montanans have reasonably affordable infrastructure available for their primary residence.

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When projects primarily benefit commercial and industrial development, and there are few or no households, the \$20,000 per household limit does not apply. Projects such as these will instead be evaluated in the same way that the financial analysis under Statutory Priority #2 is accomplished for economic development related projects. See Appendix D.

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Applicants that do not meet these three tests will either be recommended for a reduced grant amount or may not be recommended for any grant if it appears that the project is no longer financially feasible without the full amount that was requested. As a result, it is very important for applicants to discuss their proposed funding scenario with the TSEP staff prior to application if they plan to exceed the ~~\$20,000~~ per benefited household or if requesting a hardship grant.

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1. Types of Matching Construction Grants

a. Standard Grants

Applicants are generally eligible to request a grant that is no greater than 50 percent of the eligible project expenses.

b. Hardship Grants

In cases of extreme financial hardship and where very serious deficiencies exist that would affect the public's health or safety, an applicant may be eligible to receive a Hardship Grant from 51 percent up to 75 percent of the eligible project expenses in order to help reduce user costs to a more affordable level. However, the total amount requested cannot exceed the maximum TSEP grant. Applicants will only be recommended to receive a TSEP Hardship Grant if all three tests are met as described above for the ~~\$20,000~~ limit per household. See notice and caution above.

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2. Eligible and Ineligible Match

In order to be eligible for a TSEP matching grant, matching funds must be provided by the applicant to assist in financing the total project cost.

a. Eligible Matching Funds

"Matching Funds" are public or private funds to be provided by the applicant to directly support the costs of eligible project activities. Eligible types of matching funds include:

- (1) local general funds or other cash;
- (2) proceeds from the sale of general obligation, revenue, special assessment or other bonds;
- (3) entitlement or formula-based federal or state funds such as federal highway funds or payments in lieu of taxes;
- (4) loan or grant funds from a state or federal program;

- (5) funds expended for engineering studies, reports, and plans, or other reasonable expenses expended for the preparation of the application, directly related to the proposed project during the period 24 months prior to the TSEP application deadline, i.e., May ~~2, 2006~~ to May ~~2, 2008~~;
- (6) funds expended after the TSEP application deadline, May ~~2, 2008~~, for project management, final engineering design, and other reasonable expenses necessary to prepare the project as proposed in the TSEP application for the construction phase;
- (7) the value of land or materials provided by the applicant. The value will be the cost actually paid for the land or materials. If the cost cannot be obtained than it must be appraised within the two years prior to the application deadline. The appraisal must be:
- (a) an impartially written statement that adequately describes the land or materials, and states an opinion of defined value as of a specific date;
 - (b) supported by an analysis of relevant market information; and
 - (c) prepared by a qualified appraiser independent from the applicant.
- (8) the value of labor performed by the applicant's employees on the proposed project, after the TSEP project has been approved for funding and a TSEP contract has been signed, as long as the employee is paid at his or her standard hourly rate of pay and the time worked is adequately documented; and
- (9) the value of machinery used in the process of constructing the project that is owned (or leased) and operated by the applicant. The value of the use of the machinery will be determined using the Federal Emergency Management Agency (FEMA) equipment rate schedules.

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b. Ineligible Matching Funds

Land, materials or services that cannot accurately and fairly be assigned a uniform monetary value are ineligible as matching funds.

Funds expended on a project before it is approved for funding by the Legislature and Governor are ineligible as matching funds, except as noted above.

3. Eligible and Ineligible Reimbursable Project Expenses

a. Project Expenses Eligible for Reimbursement

Project expenses eligible to be reimbursed by TSEP grant funds include any reasonable and authorized expense directly related to the eligible infrastructure project incurred after a contract has been signed between the grant recipient and MDOC, such as:

- (1) The planning, engineering and architectural design, construction, erection, acquisition, site or other improvements, alteration, modernization, reconstruction, improvement, or expansion of the project.
- (2) The administration of the TSEP contract and management of the project, and financial expenses, such as interest expense and bond issuance costs attributable to the project. (Generally, a maximum of ten percent of a TSEP grant may be used for administrative costs.) Up to 50% of the cost to purchase computers and computer software, which are utilized to administer the TSEP contract and manage the project, or to operate the system, are eligible administrative expenses.
- (3) Connection charges (hook-up fees and connection costs), water meters, and meter installation.
- (4) Individual Special Improvement District (SID) or Rural Improvement District (RID) property assessments.

b. Project Expenses Ineligible for Reimbursement

Project expenses that are not eligible for reimbursement with TSEP funds include:

- (1) Direct financial assistance for religious, charitable, industrial, educational, or benevolent purposes to any private individual, private association, or private corporation not under the control of the state.
- (2) Annual operation and maintenance.
- (3) Purchase of non-permanent furnishings and fixtures or equipment that is not permanently installed in or solely dedicated to the operation of the project.
- (4) Refinancing existing debt, except when necessary in conjunction with the financing of a new TSEP project.
- (5) Personnel expenses, unless approved in advance by the Department. Work performed by the applicant's employees will generally not be considered eligible for reimbursement if it is work that the Department

would consider to be normally within the scope of duties performed by the employee and the person is a full-time employee. Personnel expenses may be approved by the Department in situations when a new person is hired in order to perform the additional project related duties, or when a part-time employee is needed full-time in order to perform the additional project related duties.

- (6) **Any unauthorized cost incurred prior to the effective date of a signed TSEP contract between the grant recipient and MDOC.** Reasonable expenses associated with attending TSEP project administration training will be eligible for reimbursement, even if incurred prior to the effective date of a contract.
- (7) **Project expenses that have been incurred in violation of State laws and regulations.**

Applicants should be cautious if planning to start a project before the Legislature and Governor have approved it, and the grant recipient has a signed contract with MDOC. TSEP grantees are required to adhere to various laws and requirements of the State and the program. Failure to do so could result in TSEP funds not being eligible for reimbursing project activities such as engineering, construction, etc. Applicants that plan to commence a project before it has been approved for funding should discuss their plans with the TSEP staff to ensure that they have sufficient matching funds as required by the program and do not take any steps that could violate state law or regulations.

B. SUBMISSION OF AN APPLICATION

To apply for any of the funding approved by the Legislature, applicants must:

1. Complete the application form found in the *Uniform Application for Montana Public Facility Projects, Sixth Edition*,
2. Prepare a preliminary engineering report that complies with the requirements also found in the *Uniform Application for Montana Public Facility Projects, Sixth Edition*,
3. Prepare a response to the seven TSEP Statutory review criteria discussed in Appendix D, and
4. Comply with other instructions as discussed in these application guidelines and specifically those noted in Appendix A.

Eligible applicants are limited to one application each funding cycle. ***Applications are due no later than May 2, 2008.***

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C. APPLICATION REVIEW PROCESS

MDOC staff will review TSEP construction applications for both technical and financial feasibility, and the extent to which the proposed project relates to each of the seven statutory criteria. To

facilitate MDOC's review, applications should be organized according to the format outlined in Appendix A, TSEP Application Format Instructions. Additional information on completing the application form and the preliminary engineering report is provided in Appendix B and C. Suggestions for writing a successful TSEP construction application are provided in Appendix J.

Under the TSEP statute, and policies established by the Governor and Legislature since 1993, the review of TSEP applications by MDOC is a two-step process. In the first step of the review process, applications are ranked based upon the extent to which the proposed project relates to each of the seven statutory criteria. In the second step of the review process, the form and amount of TSEP funding to be recommended is determined based upon an analysis of the applicant's proposed level of local financial participation. *(For more detailed information on the process, see Appendix D, Application Review Process; Appendix E, Target Rate Analysis; and Appendix K, TSEP Application Flowchart, for a graphic summary of the process a TSEP application goes through to be funded.)*

MDOC may provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review. MDOC may take additional information, based upon MDOC's or other agency's knowledge about a proposed project or particular community problems, into account in the scoring of an application. **The applicant may not submit any additional information after the application deadline unless requested by MDOC staff in order to clarify information already presented in the application.**

During the review, MDOC staff may contact the applicant to review the application and to discuss any concerns or questions or to request additional information or documentation. Site visits may be made to the proposed project area for the purpose of verifying or further evaluating information contained in the application. Once the technical review of the preliminary engineering report has been completed, MDOC will provide the applicant with the draft engineering review report. The applicant will be given approximately one week to review the report and provide comments to MDOC regarding its accuracy. Applicants will be able to point out information in the preliminary engineering report that did not appear to be addressed, or to help clarify an issue if it appears the review engineer has misinterpreted information provided in the preliminary engineering report. **However, comments can only be made in light of information already presented in the TSEP application. The applicant may not submit any new information.**

The TSEP ranking team scores Statutory Priorities #1 through #7. However, the score for Statutory Priority #2 is determined through the financial analysis. The scores for all of the Statutory Priorities are added together, which results in the ranking of the applications. Once the applications are ranked, a recommendation on the funding of projects is submitted to the MDOC Director.

The MDOC Director will submit to the Governor a list containing the projects recommended for funding and the amount of financial assistance for each. The Governor will review MDOC's recommendations and submit a list of recommended projects and form of financial assistance to the Legislature.

Typically, the Legislature first assigns the proposed TSEP appropriation legislation to the Joint Long-Range Planning Subcommittee, which conducts hearings on the proposed projects. . The subcommittee makes its recommendations to the House of Representatives. Once passed by the House of Representatives, the bill moves to the Senate for its consideration. Once the Legislature passes the bill, it is sent to the Governor for consideration. Funds for projects approved by the Governor would not become available until July 1, 2009.

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Based on discussions with the Legislature's Joint Long-Range Planning Subcommittee in 2001, the Department may recommend an amount greater than what is requested by applicants, including exceeding the grant ceiling, in order to ensure that applicants with serious and urgent health and safety problems are not unduly burdened by unreasonably high user rates. In addition, the Department may recommend increased funding for projects approved by previous legislatures in order to move projects forward that have had difficulty obtaining matching funds and that otherwise may not get constructed. No application will be necessary and the Department will determine which projects, if any, will be recommended for additional funding based on its knowledge of the project.

A recommendation for increased funding under either of the two situations would be made only after taking into account the total amount of funds available for grants, the number of applicants and total amount being requested by those applicants, and the seriousness of the problems to be resolved.

The recommendation for awarding additional funds would be limited to projects that can meet the same tests required for a hardship grant or to exceed the \$20,000 limit per household as discussed above. The Department would only recommend enough additional funding that would be sufficient to bring the projected user rates down so that they are no lower than 150% of target rate. No additional funds will be requested for an existing project unless the local government can demonstrate that it has a strong likelihood of receiving any additional funds necessary to complete the project. The recommendation would also include a condition that the remaining amount necessary to complete the project would be required to be loan funds or local reserves. The amount recommended by the Department may exceed \$750,000.

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D. ADMINISTRATIVE PROCEDURES AND REQUIREMENTS

This part describes a few of the more significant administrative procedures and requirements related to construction grants that are awarded by the Legislature. Applicants are encouraged to carefully read these administrative procedures and requirements prior to submitting an application. The *TSEP Project Administration Manual*, which contains all of the administrative requirements related to being awarded TSEP funds, can be viewed by going to the TSEP web page.

1. TSEP Contract

If the Legislature approves a TSEP project, the TSEP recipient will enter into a contract with MDOC. The contract will include:

- the amount of TSEP funds and form of financial assistance to be provided;
- a detailed budget for the TSEP funds and any other funds to be involved in the project;
- the scope of work to be completed and the schedule for implementation of project activities; and,
- the general and special terms and conditions associated with the project. **In particular, the TSEP recipient must agree to comply with all state laws**

and regulations and administrative directives and procedures established by MDOC, unless federal law supersedes.

2. Disbursement of TSEP Funds

TSEP matching grant funds will normally be disbursed once start-up requirements have been completed and the grant recipient has been notified that TSEP funds are available for the project. Start-up requirements include:

- a. the contract is fully executed between MDOC and the TSEP recipient,
- b. an acceptable management plan has been approved by MDOC,
- c. a firm commitment has been provided for all non-TSEP financing to be involved in the project,
- d. The grant recipient must be in compliance with the auditing and reporting requirements provided for in 2-7-503, MCA, and demonstrate to the Department that it has established a financial accounting system that can properly account for the grant funds. Tribal governments must comply with auditing and reporting requirements provided for in OMB Circular A-133 instead of 2-7-503, MCA, and
- e. the TSEP recipient has complied with any special conditions established by the Legislature or MDOC.

TSEP funds accumulate gradually as interest is earned on the Treasure State Endowment Fund over the two-year biennium period, the total amount of funds appropriated for projects are not received until the end of the biennium. As a result, sufficient funds are not always available to fund projects when local officials are ready to proceed. **However, TSEP funds are typically available as soon as TSEP recipients complete their start-up requirements.** Funds are made available to those projects that have completed the start-up requirements at the beginning of each month. A "Notice to Proceed" letter will be sent notifying the local government that start-up requirements have been satisfied, TSEP funds are available, and the TSEP recipient can begin to draw down TSEP funds.

However, if the level of TSEP revenues used to pay project expenses becomes too low, MDOC may require projects that have met start-up requirements to wait until there are sufficient revenues again. In that case, MDOC will always start at the top of the priority ranking list as approved by the Legislature in order to make available TSEP funds to the highest ranked projects that are ready to proceed.

3. Cost Savings

In the event that construction bids received for a TSEP project are less than the projected costs, MDOC will establish a final project budget at the bid price with the remainder placed in the contingency line item of the budget. MDOC may, at its discretion, recover any unused TSEP funds. However, TSEP may, and will typically, authorize the construction of additional, directly related project components to enhance the overall project, up to the original amount

authorized by the Legislature.

4. Progress Reporting

TSEP recipients will be required to submit quarterly narrative progress and financial reports to MDOC and, upon project completion, a final report to MDOC.

5. Project Monitoring

Periodically, MDOC staff will make monitoring visits to assure that the funds are being used properly and that the projects are being administered in conformance with state law and regulations.

6. Public Disclosure

With the exception of any proprietary plan or financial information relating to a private business, all TSEP records will be available for public review with reasonable notice during regular office hours. Proprietary information regarding a private business will not, except as required by law, be provided to any third person, firm, corporation, or public entity without the express written consent of the business.

7. Timely Project Completion

Several legislators have expressed concern that appropriated grant funds are not being spent in a timely manner, and are sitting in the TSEP account unused when they could be used by other projects that are ready to move forward. As a result, applicants that are authorized to receive a grant by the 2009 Legislature must complete all start-up conditions by December 31, 2012, or the grant contract will be terminated. In addition, each Legislature reviews the status of TSEP projects in order to decide whether TSEP funds previously awarded should be withdrawn. The status of all the projects is provided to the Legislature, and applicants that are not completing their project in a timely manner could potentially have TSEP funds withdrawn.

8. Changes to an Approved Project

In accordance with the Legislature's policy as expressed in the legislation that authorizes TSEP projects, the Department **cannot** approve amendments to the scope of work or budget affecting priority activities or improvements that would materially alter the intent and circumstances under which the application was originally ranked by the Department and approved by the Governor and Legislature. Significant changes to the scope of work or budget could jeopardize the continued funding of the project using TSEP funds if the Department determines that the proposed amendments could "materially alter the intent and circumstances" under which the project was originally approved. Local governments that have already been provided with a "Notice to Proceed" and request a modification that significantly affects the scope of work or budget may have their TSEP funding temporarily suspended. The suspension would remain in effect until the next session of the Legislature when the proposed modification would be presented to the Legislature for its approval.

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TSEP eliminated the requirement that a “Capital Improvements Plan” (CIP) be completed as part of the project if the local government did not already have such a plan. An adopted CIP is not a prerequisite for applying for TSEP funding; however, an applicant will typically receive more points during the ranking process if it has done so, especially if the plan comprehensively addresses all major community facilities and is updated annually and utilized as part of the community’s capital budgeting process.

CIP is a document that helps communities identify their public facility needs, establish project priorities, and create a long-range program for the scheduling and funding of construction or repair projects. The CIP should be adopted in conjunction with the local government’s annual budget process and used to prioritize budgetary needs. The adoption of a CIP is simply good business for local governments. It can help your community anticipate upcoming capital expenditures and more effectively manage construction, maintenance, and repair costs related to public facilities.

In order to be competitive, the CIP must:

- ❑ Be comprehensive, in that it addresses all of the facilities and structures that are the responsibility of the local government.
- ❑ Cover a minimum of five years (ten years would be more appropriate).
- ❑ Be adopted, updated annually, and actively used as a budgeting tool.

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The CIP should include the following information:

- ❑ An inventory of existing facilities and their general condition,
- ❑ Population projections and their impact on existing facilities,
- ❑ Identification and prioritization of needs and projects,
- ❑ An indication of what year projects are scheduled to be accomplished,
- ❑ Estimated cost for each project,
- ❑ Identification of the amount and source of funding for each project,
- ❑ Identification of the timing and any other specific requirements required to obtain the funding for each project.

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SECTION IV.

PRELIMINARY ENGINEERING GRANTS

TSEP preliminary engineering grants can only be used for the preparation of plans, studies, analyses, or research necessary for the preparation of a preliminary engineering report (PER) as described in the most current *Uniform Application for Montana Public Facility Projects*. In the preparation of a PER related to bridge projects, TSEP funds can be used to assess the condition of all bridges within the applicant's jurisdiction. The PER for bridges is described in Appendix C of these guidelines. **The maximum amount that will be awarded for a TSEP preliminary engineering grant is \$15,000.**

Important Notice

The Department has awarded all of the \$600,000 that the 2007 Legislature appropriated for TSEP preliminary engineering grants. These grant funds will become available again when the Legislature reconvenes in 2009, and the following guidelines will apply to local governments applying for those funds.

A. MATCH REQUIREMENTS

Local governments must provide matching funds on a dollar-for-dollar basis. The local match may come from any source except from other state grants, such as CDBG or DNRC planning grants. Local funds being used to match other grants cannot be used to match the TSEP funds. Any source of grant funds can be used for preliminary engineering costs in excess of \$30,000. The entire match for the project must be firmly committed before TSEP funds will be awarded; with documentation accompanying the application at the time of submittal. Costs that have been incurred prior to executing a grant contract with MDOC are not considered eligible as match except for special exceptions that may be approved by MDOC. Labor performed by the employees of the applicant is not eligible as match.

In documenting a financial commitment, the applicant must:

- ☐ Specify the amount and source of the funds.
- ☐ For funds committed by a local government, provide a resolution by the governing body that specifies the amount of the commitment.
- ☐ For all other funds, provide a letter of commitment from the agency or organization involved.

In cases of demonstrated hardship, the Department at its discretion may allow other state grants, such as CDBG and DNRC grants, to be used as the match to the TSEP funds.

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The Montana Board of Investments offers deferred repayment loans for preliminary engineering studies, which can provide the required match for a TSEP preliminary engineering grant. The INTERCAP program staff can approve these loans and have the funds to you in as little as one month from the time you apply. For more information about the program, contact: INTERCAP Program, Montana Board of Investments, Montana Department of Commerce, 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena MT 59620-0126 (406) 444-0001.

B. ELIGIBLE AND INELIGIBLE EXPENSES

1. Eligible Expenses

Project expenses eligible to be reimbursed by TSEP funds include any reasonable expenses incurred in the preparation of plans, studies, analyses, or research in the preparation of a PER as described in the most current *Uniform Application for Montana Public Facility Projects*, or for bridges as described in these guidelines. TSEP funds can also be used for the preparation of the Uniform Environmental Checklist as presented in the most current edition of the *Uniform Application for Montana Public Facility Projects*.

In the preparation of a PER related to bridge projects, TSEP funds can be used to assess the condition of all bridges within the applicant's jurisdiction. However, TSEP funds can only be used to do a complete assessment of a county's entire bridge system once every four years. However, specific bridges that are to be studied in detail as part of the PER, or bridges that have been determined to be a high priority or that are being more closely monitored because of rapid deterioration, may be allowed to be re-evaluated more frequently. The applicant must provide a justification for needing to assess a bridge more frequently than once every four years.

Note that payment terms will typically provide for up to 50% of the TSEP grant amount to be paid upon submittal of a draft of the preliminary engineering report acceptable to MDOC; the remaining funds will be paid after the completed report has been approved by MDOC or its representative.

2. Ineligible Expenses

Generally, costs that have been incurred prior to executing a grant contract with MDOC are ineligible for reimbursement with TSEP preliminary engineering grant funds. TSEP may allow reimbursement for costs incurred after July 1, 2009, and prior to executing a grant contract with MDOC, only as a special exception with written approval from MDOC when the grant award and/or the execution of the contract has been delayed by the Department. Preliminary engineering costs will not be reimbursed if the procurement of the engineer was not in conformance with state law. The costs of preparing TSEP or other grant applications, including responding to the statutory priorities, are ineligible for reimbursement or match.

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C. SUBMITTING AN APPLICATION

Eligible applicants may apply for one TSEP preliminary engineering grant per funding cycle. However, counties may submit one application to study its bridge system and another application to study an unincorporated area that is not served by a community water or wastewater system. The application process is noncompetitive and applications are processed on a first-come first-serve basis, based on the following conditions:

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- ☐ The Department will start accepting applications on March 31, 2009. Applications received prior to that date will be returned.
- ☐ Only complete applications will be processed and placed in line. The application must be complete in all respects, including the documentation of the commitment of matching funds.
- ☐ The Department will start awarding the grants as soon as the Legislature appropriates the

funds by passing the TSEP funding bill and the Governor signs the bill. This typically occurs around the first of May.

- ❑ If there are more applications than funds available at the time grants are awarded, priority will be given to those applicants that have not previously received a preliminary engineering grant.
- ❑ Applications from local governments that received a preliminary engineering grant in the previous cycle, for the same type of eligible project, will not be processed until June 1, 2009. If grant funds are still remaining on that date, complete applications will be processed in the order that they were received. The June 1st date does not apply if a local government submits an application for a different system. For example, a city could submit a wastewater system PER in one cycle and a water system PER in the next cycle. Or, a county could sponsor a water system PER for one water user's association in one cycle and a water system PER for a different water user's association in the next cycle.
- ❑ Applications from local governments to update, amend, or improve a preliminary engineering report previously funded by the Department of Commerce (TSEP, CDBG, or the Coal Board) awarded within the past four years will only be considered after June 1, 2009.
- ❑ The Department reserves the right to limit the amount of the PER grant to an amount appropriate to the scope of the planning project.

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See Appendix F for a copy of the preliminary engineering grant application. Only one copy of the application needs to be submitted.

D. GRANT ADMINISTRATION

Local governments that are awarded a PER grant are expected to complete their preliminary engineering study in a timely manner.

- ❑ Grantees that have not procured an engineer within six months of a signed grant agreement will cause the grant to be terminated, unless the Grantee can demonstrate substantial progress in obtaining an engineer.
- ❑ Grant agreements will not be extended past the completion date stated in the contract unless the Grantee can demonstrate substantial progress and show good cause for extending the termination date.

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<#>Applications from local governments to amend or improve a recently completed preliminary engineering report that subsequently was awarded a TSEP construction grant will only be considered after August 1st.¶

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SECTION V. EMERGENCY GRANTS

The 2007 Legislature appropriated \$100,000 of the TSEP funds to provide grants for emergency projects. The emergency grants can be awarded by the Department at any time between, and during, legislative sessions to remedy conditions that if allowed to continue until legislative approval could be obtained would endanger the public health or safety and expose the applicant to substantial financial risk. An "emergency" means the imminent threat or actual occurrence of a disaster causing immediate peril to life, property, or the environment, which with timely action can be averted or minimized.

The Department will not make an emergency grant if it determines that through the implementation of reasonable management practices, the applicant can forestall the risks to health or safety until legislative approval can be obtained. Emergency grant funds cannot be used for preventive or routine maintenance or to provide a backup to an existing system component. For example, emergency grant funds are generally not available for replacing a failed water main or sewer line. All of the proposed expenditures must be essential to resolving the emergency and necessary for completing the proposed emergency project. The proposed emergency project must be critical to the proper operation of a public facility system.

Generally, emergency grants are limited to \$30,000 per project. The applicant must demonstrate that it has contributed as much financial and other resources as possible towards completing the proposed emergency project, and has exhausted all other means of funding the emergency project. The use of TSEP funds, and expenses that will be eligible for reimbursement, will be determined on a case-by-case basis.

In order to determine whether to fund a request for emergency grant funds, MDOC may consult with the Department of Natural Resources and Conservation, the Department of Environmental Quality, and the Department of Transportation, depending on the type of project. Upon being contacted about an emergency, the Emergency Grant Review Form will be completed by the TSEP staff to determine if an emergency project should be funded (see Appendix G).

Local governments that have an emergency related project should contact Richard Knatterud at 841-2784.

APPENDICES

APPENDIX A

FORMAT INSTRUCTIONS FOR TSEP CONSTRUCTION APPLICATIONS

1. In order to make the process of applying to infrastructure financing programs simpler and more efficient for communities, various state and federal agencies have worked together to develop common application forms and requirements for grants and loans related to construction projects. **The uniform application form, preliminary engineering report (PER) outline, and environmental checklist, are found in the *Uniform Application for Montana Public Facility Projects, Sixth Edition*.** The application materials in that publication can be used to apply to TSEP and the Community Development Block Grant (CDBG) program (both administered by MDOC), the Department of Natural Resources and Conservation Renewable Resource Grant and Loan program, the Department of Environmental Quality State Revolving Loan Fund programs (drinking water and wastewater), and the U.S. Department of Agriculture Rural Development programs.
2. In addition to the application form and preliminary engineering report discussed above, **communities submitting an application to TSEP for a construction project must also provide a narrative response to the TSEP Statutory Priorities** as described in these application guidelines. Various other documents may also be required as noted in these application guidelines.
3. Applications should be as concise as possible; however, the applicant may use as many pages as necessary to adequately explain the proposed project. Only information pertaining directly to the proposal and the TSEP Statutory Priorities should be included.
4. Applications should be submitted on standard 8½ x 11-inch paper, with maps and large sheets folded to an 8½ x 11-inch size.
5. The application should be submitted under a single cover. However, if supporting documents such as the preliminary engineering report are voluminous, they may be submitted as a separate document.
6. Pages should be numbered consecutively.
7. Applications should be bound along the left margin in some manner. Tabs on the right side of the applications should be used to mark sections and appendices.
8. Supporting documents should be placed in an appendix. Supporting documents include items such as public hearing notices, maps, local government resolutions, survey forms, financial statements, letters of commitment, etc. Appendices should be listed in the table of contents.
9. **The TSEP application should be organized according to the following format:**
 - a. **Table of Contents**

b. **Uniform Application Form**

Each applicant must complete the *Uniform Application for Montana Public Facility Projects*. See the *Uniform Application for Montana Public Facility Projects, Sixth Edition* for the form and instructions. Also see Appendix B for TSEP-specific information related to the completion of the *Uniform Application*.

c. **Response to TSEP Statutory Priorities**

Each applicant must submit a narrative as part of its application that describes the relationship of the proposed TSEP project to each of the seven TSEP statutory priorities, unless noted otherwise. See Appendix D, TSEP Application Review Process, for a list of the seven TSEP Statutory Priorities.

d. **Preliminary Engineering Report**

Each applicant must provide a copy of a PER. See the *Uniform Application for Montana Public Facility Projects, Sixth Edition* for instructions regarding the content of the PER. The PER requirements for bridge projects can be found in Appendix C of these guidelines. Also see Appendix C for other TSEP-specific information related to the completion of the PER. Each applicant must also submit a completed *Uniform Environmental Checklist* as an attachment to the PER. The checklist can be found in the *Uniform Application for Montana Public Facility Projects, Sixth Edition*.

e. **The following should be included as Appendices in the application:**

- (1) **Resolution to Authorize Application** - Each applicant must provide a resolution to authorize the submittal of the TSEP application. See Appendix L for a model Resolution to Authorize Application. **If the project involves multiple jurisdictions, a memorandum of understanding (MOU) signed by all of the parties involved must also be submitted.** The MOU must state that all parties involved understand the scope of the project and are in basic agreement as to what is being proposed. The memorandum should summarize the scope of the project, how the system would be managed and operated, and how the improvements would be funded in the short and long-term.

Certified Regional Development Corporation Resolution of Support

To encourage greater cooperation between Montana local governments and the twelve Certified Regional Development Corporations (CRDC's) across the state, applicants applying to TSEP, are encouraged to obtain a resolution of support from the local CRDC. To see which CRDC area you are in, go to http://businessresources.mt.gov/BRD_CRDC_Map.asp. Below is a list of the CRDC locations.

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<u>Corporations & Chief Officers</u>	<u>Addresses & Phone #'s</u>
<u>Bear Paw Development Corp.</u>	<u>48 Second Avenue, Ste 202 - Havre, MT</u>
<u>Paul Tuss</u>	<u>59501 (406) 265-9226</u>
<u>Beartooth RC&D</u>	<u>604 West Front Street - Joliet, MT 59041</u>
<u>Chris Mehus</u>	<u>(406) 962-3914</u>
<u>Eastern Plains RC&D</u>	<u>2745 West Holly - Sidney, MT 59270</u>
<u>Mike Carlson</u>	<u>(406) 433-2103</u>
<u>Montana Business Assistance Connection</u>	<u>225 Cruse Avenue - Helena, MT 59601</u>
<u>Sheldon Bartel</u>	<u>(406) 447-1510</u>
<u>Great Northern Development Corp</u>	<u>233 Cascade Street - Wolf Point, MT</u>
<u>Linda Twitchell</u>	<u>59201 (406) 653-2590</u>
<u>Headwaters RC&D</u>	<u>305 W. Mercury, Ste. 211 - Butte, MT</u>
<u>Judie Tilman</u>	<u>59701 (406) 782-7333</u>
<u>Lake County Community Development</u>	<u>407 Main St. S.W. - Ronan, MT 59864</u>
<u>Billie Lee</u>	<u>(406) 676-5901</u>
<u>Missoula Area Economic Development Corp</u>	<u>1121 East Broadway, Suite 100 -</u>
<u>Dick King</u>	<u>Missoula, MT 59802 (406) 728-3337</u>
<u>Northern Rocky Mountain RC&D</u>	<u>502 S. 19th Avenue, Ste 105 - Bozeman,</u>
<u>Joshua Kellar</u>	<u>MT 59718 (406) 728-3337</u>
<u>Snowy Mountain Development Corp</u>	<u>613 North East Main - Lewistown, MT</u>
<u>Kathie Bailey</u>	<u>59457 (406) 538-2591</u>
<u>Southeastern MT Development Corp</u>	<u>6200 Main Street - Colstrip, MT 59323</u>
<u>Jim Atchison</u>	<u>(406) 748-2990</u>
<u>Sweetgrass Development</u>	<u>4 North Central - PO Box 1329 - Cut</u>
<u>Shannon Harrison</u>	<u>Bank, MT 59427 (406) 873-2828</u>

- (2) **Documentation Related to the Formation of the District** - County water, sewer, and solid waste districts must submit documentation substantiating that the District has been legally created. In order to eliminate any problems verifying that the District has been legally created, the District should submit a copy of the county resolution creating the District and a certificate of incorporation from the Secretary of State.
- (3) **Maps** - Each applicant must include legible maps showing the boundaries of the proposed project area and the locations of all proposed project activities.

The map of the applicant's political jurisdiction must identify:

- the boundaries of the entire jurisdiction,
- the project's location within the jurisdiction, and
- if applicable, the service area of the project.

The map of the proposed project area must identify:

- the boundaries of the project area,
- the locations of all proposed activities, and
- the boundaries of any designated 100-year floodplain.

- (4) **Implementation Schedule** - Each applicant must submit an implementation schedule that describes the overall schedule for project completion, including engineering and construction. A blank project implementation schedule is provided at the end of this appendix that applicants can complete for their

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project.

- (5) **Other Supporting Documentation** - Each applicant should identify the source of supporting data for any statements made in the application, and provide documentation when applicable. Copies of plans such as a capital improvements plan should be submitted if not lengthy. At a minimum, the applicant should include portions of plans in order to identify the document and key information. Business plans should be included for economic development related projects. If local research was conducted to support the application, the survey methodology must be described and a copy of the survey form with a composite summary of all responses submitted with the application. The applicant should retain all original documentation.

10. **Five copies** of the TSEP application and attachments must be delivered to the Department of Commerce or postmarked on or before **May 2, 2008**. **In addition, also submit your responses to the TSEP Statutory Priorities on a computer diskette if possible.** Applicants are also encouraged to place on the computer diskette photographs of the current project conditions, diagrams, schematics of the proposed design, etc. to help the reviewers during the scoring process to visualize the project better.

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11. The TSEP application and attachments must be submitted to:

**Montana Department of Commerce
Treasure State Endowment Program
301 South Park Avenue
PO Box 200523
Helena, MT 59620-0523**

QUARTERLY PROJECT IMPLEMENTATION SCHEDULE

TASK	QUARTERS, 2009				QUARTERS, 2010			
	1st J F M	2nd A M J	3rd J A S	4th O N D	1st J F M	2nd A M J	3rd J A S	4th O N D
<u>PROJECT START UP</u>								
Attend Grant Admin. Workshop		x						
Sign TSEP Contract								
Prepare Management Plan								
Establish Project Files								
Submit Signature & Depository Forms								
Submit Budgetary Resolution								
<u>PROJECT DESIGN</u>								
Advertise for & Select Engineer								
Commence Final Design								
Complete Project Design								
Submit Plans to DEQ								
Prepare Bid Documents								
Finalize Acquisition								
<u>ADVERTISEMENT FOR CONST. BID</u>								
Review Contract Requirements								
Public Bid Advertisement								
Open Bids & Examine Proposals								
Request Contr. Debarment Review								
Select Contractor & Award Bid								
Conduct Pre-Const. Conference								
Issue Notice to Proceed to Contractor								
<u>PROJECT CONSTRUCTION</u>								
Begin Construction								
Monitor Engineer & Contractor								
Conduct Labor Compliance Reviews								
Hold Const. Progress Meetings								
Final Inspection								
<u>PROJECT CLOSE OUT</u>								
Submit Final Drawdown								
Determine Audit Requirements								
Project Completion Report								
Submit Conditional Certification								
Submit Final Certification								

APPENDIX B

TSEP-SPECIFIC INFORMATION REQUIRED FOR COMPLETING THE UNIFORM APPLICATION FORM

Each applicant must provide a completed copy of the *Uniform Application Form for Montana Public Facility Projects* in the TSEP construction application. It is important to carefully complete the application, and in particular the financial information section, since the information provided in the form will be used to score the TSEP application on TSEP statutory priorities #2 (Financial Need) and #5 (Obtains Funds From Other Sources). This information will also be used in the financial analysis that is used in making a recommendation on the form and amount of funds, if any, to be awarded to each applicant.

Completion of Section C - 2. Proposed Funding Sources

TSEP applicants must request a specific type and amount of TSEP financial assistance. Applicants must provide matching funds if they are applying for TSEP matching grants.

The applicant should describe the availability or commitment of all other resources that are to be used to fund the proposed TSEP project. Applicants requesting a TSEP grant need to document that the proposed funding for the project is viable and can be assembled in a reasonable amount of time. The degree to which non-TSEP resources are committed to the project may affect the number of points received in the scoring of the proposed project. Applicants must demonstrate that a reasonable amount of local funds (either reserves or loans) are proposed to help finance the project. The applicant should attempt to obtain and provide documentation from a public funding source that the applicant is eligible and likely to receive funding.

The form and amount of TSEP assistance ultimately recommended to the Legislature may differ from that originally requested by the applicant based on the review of the application by MDOC. MDOC will not recommend TSEP funding for projects that it determines to be financially or technically infeasible or not cost-effective.

Completion of Section C - 4. Project Budget Form

Generally, a maximum of ten percent of a TSEP grant may be used for administrative costs. However, administrative costs typically average five to seven percent of the total cost of the project. Some administrative expenses are essentially fixed and are not proportionate to the total cost of a project. Communities considering relatively small requests (under \$100,000) may find that the ten percent allowed may not provide a sufficient budget to cover all administrative costs. A community considering a relatively small grant request should consider whether the proposed project would result in questionably high administrative costs relative to the actual project cost. In these circumstances, applicants are encouraged to contact the TSEP staff to discuss their proposed project prior to submittal of the application to determine the appropriate administrative cost and percentage.

Costs that have been incurred prior to the effective date of a TSEP contract (such as fees for preparing an application, community surveys or needs assessments, engineering, or the costs associated with construction activities) are generally not eligible for reimbursement. However, reasonable expenses associated with attending TSEP project administration training will be eligible for reimbursement, even if incurred prior to the effective date of a contract.

Completion of Section E - System Information

→ → → Important Information Specifically For Bridge Applicants ← ← ←

Bridge applicants should not complete Section E - System Information on the form provided in the *Uniform Application Form for Montana Public Facility Projects*. Instead, **bridge applicants should complete the form on the following page**, and insert this page into the *Uniform Application Form for Montana Public Facility Projects* in place of the existing Section E - System Information.

SECTION E - SYSTEM INFORMATION REQUIRED FOR BRIDGE APPLICATIONS ONLY

- _____ State the number of bridges under 20 feet that the county is responsible for maintaining (do not include culverts, or bridges that MDT maintains on the federal-aid routes). Attach a list of the bridges or reference the page number where it can be found if included some place else in the application.
- _____ State the number of bridges over 20 feet that the county is responsible for maintaining (do not include bridges that MDT maintains on the federal-aid routes). Attach a list of the bridges or reference the page number where it can be found if included some place else in the application.
- _____ State the amount of dollars obtained annually from any pools of funds maintained by the county that by law could be used to supplement the bridge budget (for example, the amount of dollars budgeted annually that are taken from a reserve created from forest payments). List the amount for each source.

APPENDIX C

TSEP-SPECIFIC INFORMATION REQUIRED FOR COMPLETING THE UNIFORM PRELIMINARY ENGINEERING REPORT

The applicant must provide a copy of a Preliminary Engineering Report (PER) in, or attached to, the TSEP application. The report must be sufficiently detailed to describe the scope of the problem to be addressed as well as the components and estimated costs of the proposed improvements or facility. In the evaluation of the condition of the existing system, and subsequently in the description of alternatives considered to resolve the identified problems, the report should list and prioritize all of the problems associated with the condition of the system. **See the *Uniform Application for Montana Public Facility Projects, Sixth Edition* for an outline of the information required in the PER.** Applicants with a bridge project should read the information in the box on the next page.

Statutory Priorities #1 and #3 will be scored based upon the information contained in the applicant's PER. Applicants are only required to address those priorities if they are providing additional information that they believe has an impact on how the priorities will be scored. Portions of the PER may be incorporated or referenced in the narrative text. If the information required in the PER is not provided, and therefore, the report is deficient, it could result in the application not receiving as many points, and subsequently being ranked lower and possibly not funded.

Applicants with wastewater projects: Wastewater system deficiencies that are related to opportunities for people to come in contact with treated or partially treated wastewater must be documented with photos, maps, and other supporting evidence in order to demonstrate the level of public use of the area. Failure to provide this documentation may result in the deficiencies not being viewed as severe as believed by the project engineer.

Projects in Floodplains

If an applicant proposes a project that is located in the floodplain, the local government must consider alternatives to avoid adverse effects and incompatible involvement in the floodplains. If construction in a floodplain is the only practical alternative, the local government must design or modify the project in order to minimize any potential adverse impact on the floodplain, or potential adverse effects on human health or safety. In particular, applications for projects that would provide a community wastewater system to serve existing development located in a floodway will be considered, but the local government must agree that it will not allow any further connections to the system to serve any new development within the floodway or 100-year floodplain. Applicants must include a letter from the local agency administering the local floodplain regulations that the proposed project is permitted under the local government's adopted floodplain regulations.

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Water Meters

In response to a suggestion from the Legislative Joint Long-Range Planning Subcommittee that reviews all TSEP projects, MDOC proposed, and the Subcommittee endorsed, a policy on water meters for TSEP drinking water related projects. **It is the policy of TSEP to encourage the use of water meters wherever appropriate.** In many cases, and over the long-term, the installation of water meters, and instituting a fair billing system based on actual use and subsequent maintenance of meters, is one of the most prudent and cost-effective management and conservation steps local governments can take. Generally, the installation of meters also reduces long-term operational costs for a water system.

All local governments requesting TSEP funds for water system improvements, where meters are not currently being utilized, must include in their preliminary engineering report an analysis of the feasibility of the installation of water meters and conversion to a billing system based upon meters and their actual use. The analysis should include projections of the potential water conservation savings due to meter conversion as well as estimated installation and long-term maintenance and operations costs. While local governments are not required to convert to a metering system as a precondition of receiving TSEP funds, local governments choosing not to convert to meters as part of the proposed project are expected to present a sound rationale why conversion is not feasible, appropriate, or cost effective.

When scoring applications, MDOC will take into consideration whether the applicant has proposed to install meters. For those cases where meters are not proposed, the preliminary engineering report must provide a thorough analysis of converting to a water metering system and clearly demonstrate that the use of meters is not feasible, appropriate, or cost effective.

→ → → **Important Information Specifically For Bridge Applicants** ← ← ←

The Preliminary Engineering Report (PER) outline found in the *Uniform Application for Montana Public Facility Projects, Sixth Edition* does not address the technical analysis that is required for bridge projects. **Applicants submitting a TSEP application for a bridge project must provide the information listed in the PER outline found on the following pages.** The PER outline describes the information that should be included, at a minimum, in the PER. In order to facilitate the review of the PER, adherence to the outline is strongly encouraged. **A professional engineer licensed to practice in Montana must prepare the PER.**

It should be noted that the outline is by no means all-inclusive. The engineer should use professional judgment in presenting sufficient information during preparation of the report, taking into account that different types of bridges require varying levels of detail. The engineer should provide thorough documentation wherever possible, using technical supporting information (reports, studies, lab analysis, photographs, etc.).

PRELIMINARY ENGINEERING REPORT OUTLINE FOR BRIDGE PROJECTS

- I. Executive Summary.** *Provide a summary of why the engineering study was undertaken, a brief description of the basic needs or deficiencies of the bridge(s) being studied, a brief description of the alternatives considered, a brief description of the preferred alternative, and the estimated total cost to construct the preferred alternative. Note any other pertinent conclusions.*
- II. Problem Definition.**
 - A. Identify the Area Served by the Bridge(s).**
 1. Location of Bridge(s) – *Show location of the existing bridge(s) using large and small scale maps and photographs. Indicate property ownership, latitude and longitude, elevations, etc.. Indicate if bridge is on a state-maintained route. Describe the area served by the bridge(s).*
 2. Physical Characteristics of the Area – *Describe the physical character of the project area including geology, topography, soil types, flow of water, vegetation, etc. that may have an impact on the project costs, performance, etc. or to allow for a more complete understanding of the problem. Provide a copy of the USGS topographic quadrangle, FEMA floodplain map, and wetlands inventory maps in instances where maps have been published.*
 3. Users of the Bridge(s) – *Discuss current use and any expected changes in the functional use of the bridge(s):*
 - a. Use of the Structure – *Discuss the type of traffic that uses the bridge(s) and any changes that might impact the use of the bridge(s).*
 - b. Number of Users – *Discuss number of vehicles using bridge(s). Discuss any specific areas or users dependent on the bridge(s). Include the number of permanent households and farm/ranch properties if discussing a specific area that is dependent on the bridge(s). Indicate if bridge serves a school bus or mail route.*
 - c. Growth Areas and Population Trends – *Within the area served by the bridge, discuss any expected changes in population and identify specific areas of concentrated growth.*
 - B. Evaluate condition of existing bridge(s).**
 1. History – *Provide a brief history of the bridge(s), including when constructed and any major improvements.*

2. Condition of Bridge(s) – Discuss the following issues:

- a. In general terms, discuss the county's overall bridge needs. Ideally, the condition and capacity, and suitability for continued use of all of the county's bridges should be assessed and the county's bridge needs rationally prioritized. Discuss whether the county assessed all of its bridges and whether it has chosen the selected bridge(s) for this project based on a methodology that prioritized its bridge needs. (Note: an assessment of all bridges within the county is not required, but it will likely increase the number of points that the project receives in the TSEP ranking process.)

- b. Specifically describe the present condition and capacity, and suitability for continued use of the bridge(s) included in the proposed project. Include the MDT ratings found in the MDT Bridge Assessment Form for the bridge(s).

Bridges that have not been rated by MDT will need to be inspected, evaluated and rated. The rating must be based on the National Bridge Inspection Standards, or MDT methodology. Worksheets and other pertinent documentation that were used to determine ratings for structure, deck, superstructure, substructure, and sufficiency rating should be attached. Bridges that have not been properly rated may result in a lower score, or even the minimum score, under Statutory Priority #1.

Bridge inspection and the rating of bridges must be performed by individuals that have met the criteria outlined in 23 CFR 650, subpart C. The name and qualifications of the person inspecting and rating the bridge must be clearly stated including documentation of compliance with the criteria listed in 23 CFR 650.309. Inspections performed by individuals that do not meet these criteria will likely result in a lower score, or even the minimum score, for Statutory Priority #1.

C. **Describe the need for the project and the problems to be solved. Discuss the following issues:**

1. Current and future bridge standards – Discuss any limitations on use of the bridge(s) as a result of weight limits or other standards.
2. Safety considerations – Discuss any safety limitations imposed by the current bridge(s) and how those issues would be resolved. Discuss any changes to approaches and roadway geometry.
3. Alternative routing options – Discuss the impact of closing the bridge(s) and if alternative routes are available. Include the distances involved if an alternative route is required and show how those routes were calculated.

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4. Impact on public and emergency services – Specifically discuss the impact that a closure would have on providing public and emergency services. Provide documentation from the service providers, with specific comments on how the impact will affect their ability to provide services.
5. Utilities location or relocation – Discuss any impact on utilities.
6. Floodway – If the project is intended to resolve issues related to the floodway, discuss those issues in detail and include a preliminary hydraulics analysis (for example HEC-RAS). Include FEMA mapping data.

- D. Describe the Environmental Considerations.** Provide information on the location and significance of important land resources, historic sites, endangered species/critical habitats, etc, within the project area, using maps, photographs, studies and narrative. Discuss any potential environmental impacts that the project may have on the area where the project is to be constructed. Discuss any appropriate short and long-term measures necessary to minimize potentially adverse impacts.

The information collected through the Uniform Environmental Checklist is the basis for identifying the environmental resources in the area that may be affected. The checklist must be included as an attachment to the PER and must be signed by a professional engineer. If there has been a previous environmental assessment completed for the project area, please include a copy of the assessment in addition to the completed checklist. Refer to the Uniform Application booklet for information related to environmental requirements. Attach any exhibits or maps that may be applicable to help identify environmental resources present.

- E. General Design Requirements for Improvements.** Describe the design requirements that will need to be met. Include loadings and lane widths. Include design flood event and freeboard information. Describe the 'ballpark' hydraulic analyses used to preliminarily size the bridge(s). Describe any geotechnical investigations that are planned for final design. Describe bridge and approach rail, and end treatments.

- III. ALTERNATIVE SCREENING PROCESS.** Briefly describe all available alternatives to remedy the problems to be solved. Discuss any alternative that is not to be discussed further in Section IV. Alternative Analysis, noting why the alternative is obviously not suitable for further consideration. A sound justification is required for eliminating an alternative. Also discuss the "no action" alternative at this point, by explaining the implications of not resolving the problem.

This section documents that an option was not overlooked, but rather was considered and ruled out as a viable option during the early stages of the planning process. All alternatives that are not eliminated in the screening process should be evaluated in Section IV. Alternative Analysis.

IV. ALTERNATIVE ANALYSIS. (Provide the following information for each alternative)

bridge design.)

- A. Description.** *Describe feasible technologies and design criteria. Discuss the rationale for how the bridge(s) were sized.*
- B. Schematic Layout.** *Provide a schematic layout for the proposed bridge(s).*
- C. Regulatory Compliance and Permits.** *Describe compliance with appropriate federal, state, local or tribal requirements. Discuss any permits that will be required to complete the project.*
- D. Land Requirements.** *Identify sites and easements required. Specify whether these properties are currently owned, to be acquired or leased, and whether options have been obtained contingent upon receipt of funding. For any site not currently being used for the intended alternative, identify adjacent land uses and any potential conflicts.*
- E. Environmental Considerations.** *Discuss any specific impacts that a particular alternative may have, if any, beyond those already discussed in Section II. Problem Definition. There is no need to repeat information previously presented.*
- F. Construction Problems.** *Discuss unique concerns such as geotechnical considerations, limited access, or other conditions that may affect cost of construction of the bridge(s). Provide an estimated dollar amount to mitigate such problems.*
- G. Cost Estimates.**
 - 1. Project costs (i.e., administrative, financial, engineering, and construction costs) – *Provide unit costs and basis of estimated costs. For projects to be completed by county crews, include a comparison of construction costs by force account versus contractor's bid.*
 - 2. Present Worth Analysis – *Evaluate the cost-effectiveness of the bridge(s), considering capital and O&M costs, and expected life of the structure.*
- H. Basis of selection of a preferred alternative.** *Provide a comparative analysis of all of the alternatives discussed above. Clearly define the criteria utilized for the comparison of each alternative and consistently apply those criteria to each alternative. At a minimum, the evaluation and selection should take into account technical feasibility, environmental impacts, and cost considerations. Briefly summarize the reasoning for selecting the preferred alternative over the other alternatives. A matrix or spreadsheet should be used to summarize the logic of the selection process.*

V. DESCRIPTION OF THE PREFERRED ALTERNATIVE.

- A. **Site.** *Briefly summarize the site location of the proposed bridge(s), and the characteristics of the site(s) and provide any additional information that is pertinent to the proposed solution.*
- B. **Design.** *Briefly summarize the design criteria and provide any additional information that is pertinent to the proposed solution. Provide a schematic layout for the selected alternative(s).*
- C. **Environmental.** *Briefly summarize any environmental impacts that the selected alternative may have on environmental resources, and any appropriate short and long-term measures necessary to minimize each potentially adverse impact. Provide any additional environmental information that is pertinent to the proposed solution. Attach any exhibits or maps applicable to the environmental consequences. Attach the required environmental related correspondence and agency comments. Include a sample copy of the letter(s) that were sent to the various agencies, as listed in the Uniform Application, and include copies of responses received.*
- D. **Cost Summary for the Selected Alternative.** *Provide an itemized estimate of the project administration and construction costs based on the anticipated period of construction. Include administrative line items such as personnel, office costs, training, legal services, interim interest, audit costs and other costs associated with the proposed project. Include construction line items for preliminary engineering, engineering design services, construction management, construction costs, land purchase costs, and contingency.*

VI. RECOMMENDATIONS AND IMPLEMENTATION.

- A. **Funding Strategy.** *Describe the proposed sources of funding.*
- B. **Implementation.** *Describe how the project will be implemented and any special concerns regarding implementation. Provide a project schedule. Identify any items that have the potential to delay or prevent the project from going forward.*
- C. **Public Participation.** *Describe any public participation, meetings, hearings, or comments received from the public about the PER, environmental concerns, or the proposed project in general. Include minutes of meetings, copies of notices, and sign-in sheets.*

APPENDIX D

APPLICATION REVIEW PROCESS

A. INTRODUCTION

Under the TSEP statute, and the policies established by MDOC, the Governor and the Legislature since 1993, the review of TSEP applications by MDOC is a two-step process. In the first step of the review process, applications are evaluated and ranked based upon the extent to which the proposed project relates to each of the statutory review criteria. In the second step of the review process, the applicant's proposed level of local financial participation is analyzed. This analysis is the basis for MDOC's recommendation on the amount of funding for each project. The analysis is based on the premise that TSEP applicants should receive grant funds only if they are proposing a reasonable level of local financial participation. (See Appendix K, TSEP Application Flowchart for a graphic representation of the process a TSEP application goes through to be funded.)

B. STEP I - RANKING APPLICATIONS ON THE SEVEN STATUTORY PRIORITIES

The TSEP enabling statute requires MDOC to recommend a list of projects for TSEP funding, giving preference according to the Legislature's order of statutory priorities. Each application will be scored based upon the extent to which the proposed project is consistent with each statutory priority, using five possible point levels. However, Statutory Priority #3 uses only four point levels, which is explained on page 7. As a result, points for Statutory Priority #3 are awarded using a quartile system. The number of possible points associated with the five level system are as follows:

Level 5	The Proposed Project Most Closely Meets the Intent of the Statutory Priority	Maximum Possible Points
Level 4		Four-Fifths Possible Points
Level 3		Three-Fifths Possible Points
Level 2		Two-Fifths Possible Points
Level 1	The Proposed Project Least Closely Meets the Intent of the Statutory Priority	One-Fifth Possible Points



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Deleted: With the exception of Statutory Priority #2, each point level corresponds to a definition that generally describes the requirements for being scored at that point level. The scoring level definitions are published as separate handouts, which are available to potential applicants.

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The total number of points assigned to each TSEP application will be based upon its cumulative score on the seven statutory priorities. A declining numerical score has been assigned by MDOC to each succeeding statutory priority to reflect the order of priority for funding as established in 90-6-710, MCA. The TSEP statutory priorities in their order of importance, and the maximum score that can be obtained for each, are listed on the next page.

Maximum Possible Points

Statutory Priority #1 (Urgent and Serious Health or Safety Problems, or Compliance with State or Federal Standards)	1,000 Points
Statutory Priority #2 (Greater Financial Need)	900 Points
Statutory Priority #3 (Appropriate Design and Long-Term Solution)	800 Points
Statutory Priority #4 (Long-Term Planning and Management)	700 Points
Statutory Priority #5 (Obtains Funds from Other Sources)	600 Points
Statutory Priority #6 (Long-term, Full-time Jobs, Business Expansion, Tax Base)	500 Points
Statutory Priority #7 (Community Support)	400 Points

TOTAL MAXIMUM POSSIBLE POINTS

4,900 Points

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An application must receive a minimum of 2,700 points in order to be recommended for a grant.

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C. TSEP STATUTORY PRIORITIES AND RANKING CRITERIA

The following section lists the seven statutory priorities used to score and rank TSEP projects, along with the criteria that will be considered by MDOC in evaluating each applicant's response. TSEP applicants are required to submit narrative responses that describe the relationship of their proposed TSEP project to each of the statutory priorities, except where noted otherwise. Some priorities can be scored using the information provided in the *Uniform Application Form*. For those priorities that have been identified as such, applicants are not required to provide a narrative response unless there is additional information that they believe would impact how the priority will be scored. Applicants should respond to each of the criteria individually.

With the exception of Statutory Priority #2, each statutory priority has definitions that generally describe the requirements for being scored at a particular point level. The definitions associated with each score level is discussed in Section D. Scoring Level Definitions for the Seven Statutory Priorities, beginning on page 2.

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In order to avoid unnecessary duplication, the applicant can reference other pertinent portions of the application or appendices in the narrative responses to the priorities. However, the applicant should not reference another portion of the application, such as the preliminary engineering report, without including a narrative statement that provides at least a summary of what is being referenced. For example, an applicant should not simply state, "See page 4 of the Master Plan" as a response to a statutory priority.

STATUTORY PRIORITY #1

1,000 Possible Points

Projects that solve urgent and serious public health or safety problems, or that enable local governments to meet state or federal health or safety standards.

The information necessary to score this priority will be taken from the applicant's preliminary engineering report (PER). Applicants do not need to provide any narrative response to this priority unless they are providing additional information not contained in the PER. The following criteria are listed here simply to inform applicants of the issues that will be looked at in the scoring of this priority.

Note: the following criteria pertain to water, wastewater, storm drain, and solid waste projects.

- a. Does a serious deficiency exist in a basic or necessary community public facility or service, such as the provision of a safe domestic water supply or does the community lack the facility or service entirely, and will the deficiencies be corrected by the proposed project? *(Describe all deficiencies.)*
- b. Have serious public health or safety problems that are clearly attributable to a deficiency occurred, or are they likely to occur, such as illness, disease outbreak, substantial property loss, environmental pollution, or safety problems or hazards? *(Describe each public health or safety problem and indicate whether the problem has occurred or the degree to which it is likely to occur in the near-term, long-term, or may potentially occur at some point in the future. It is important to provide supporting documentation showing the public health or safety problems.)*
- c. Is the problem existing, continual, and long-term, as opposed to occasional, sporadic, probable or potential? *(Describe the nature and frequency of occurrence. Provide supporting documentation to substantiate.)*
- d. Is the entire community, or a substantial percentage of the residents of the community, seriously affected by the deficiency, as opposed to a small percentage of the residents? *(Describe the number of residents affected by the problem.)*
- e. Is there clear documentation that the current condition of the public facility (or lack of a facility) violates a state or federal health or safety standard? *(If yes, describe the standard being violated.)*

- f. Does the standard that is being violated represent a significant threat to public health or safety? *(For each standard being violated as listed in e., identify which of the public health or safety problems as listed in b. are associated with it.)*
- g. Is the proposed TSEP project necessary to comply with a court order or a state or federal agency directive? *(If yes, describe the directive and attach a copy of it.)*
- h. Are there any reliable and long-term management practices that would reduce the public health or safety problems?
- i. Is there any other pertinent information that might influence the scoring of this statutory priority?

If the exact same project and PER was scored through the CDBG ranking process within the two years prior to the application submittal deadline, TSEP will accept the score for health and safety awarded to the applicant. A re-evaluation of the PER would be required if the proposed TSEP project is a different phase from the one proposed for CDBG funding. If any component of the proposed project has changed from what was proposed to CDBG, the Department reserves the right to re-evaluate the PER and/or assign a score different from the one assigned by CDBG.

Note: the following criteria pertain only to bridges.

- a. Does a serious deficiency exist in the bridge system and will the deficiencies be corrected by the proposed project? *(Describe all deficiencies for each bridge proposed for TSEP funding, including the NBI sufficiency rating, appraisal ratings, and element condition ratings. Describe any related public safety problems not reflected in the NBI sufficiency rating. If a new bridge is being proposed where none currently exists, describe why there is a need for a bridge at this new location; describe the public safety problems that necessitate the new bridge.)*
- b. Is the entire county, or a substantial percentage of the residents of the county, seriously affected by the deficiency, as opposed to a small percentage of the residents? *(Describe the number of residents, households, businesses, etc. affected by the problem.)*
- c. Is there any other pertinent information that might influence the scoring of this statutory priority?

Projects that reflect greater need for financial assistance than other projects.

The information necessary to score this priority will be taken from the financial information submitted in the *Uniform Application Form*. Applicants do not need to provide any narrative response unless they are providing additional information that they believe has an impact on financial need.

This criterion will assess the applicant's need for financial assistance by examining each applicant's relative financial need compared to other applicants. The financial assessment will determine whether an applicant's need for TSEP assistance is comparatively greater or weaker than other applicants.

Points are awarded using a computer-assisted financial assessment, which makes a comparative analysis of financial indicators. This process is conducted using two competitive ranking indicators that evaluate the relative financial need of each applicant. The analysis for the first indicator is common to all applicants, while the type of analysis used for the second indicator depends on the type of project. Based on an applicant's relative financial need, an applicant can receive up to 900 points. The two indicators are:

Indicator 1. Economic Condition of Households Analysis

The first indicator analyzes the relative economic condition of households, and is used in the financial assessment of each applicant (except for strictly economic development type projects as noted below). This analysis consists of ranking each applicant in relation to:

- a. the dollar level of the community's Median Household Income (MHI);
- b. the percent of persons in the jurisdiction at or below the level designated as Low to Moderate Income (LMI); and
- c. the percent of persons at or below the level designated as Poverty.

MHI is calculated by the U.S. Bureau of the Census as the amount of household income above and below which the household incomes in a jurisdiction are equally distributed. In other words, there are as many households with incomes above MHI as there are below MHI.

In effect, this indicator provides a comparative measure of ability to pay for infrastructure and public services. Considering the applicant's MHI, in conjunction with the percent of persons existing at or below the levels of LMI and poverty, provides a means of identifying concentrations of population which have relatively less ability to pay for public services. Use of this indicator helps assure that grant award recommendations take into account pockets

of low and very low-income persons in a community or county that would be extraordinarily burdened by increased public utility rates or tax assessments.

The first indicator accounts for 40 percent of the 900 points possible under Statutory Priority #2, or up to 360 points. The MHI, LMI and Poverty each account for one-third of the possible points for this indicator. The points awarded in the economic condition of household analysis, are automatically computed and allocated based on a five level scoring system.

The data used in Indicator 1. Economic Condition of Households Analysis will be compiled by the Department of Commerce from MHI, LMI, and Poverty statistics derived from the 2000 statewide data supplied by the U.S. Bureau of the Census. **Applicants do not need to provide the census data.**

However, for some applicants, there is no census data currently available for the specific project area, except to use census data for the entire county or city. Use of census data for the entire county or city may not accurately reflect the economic condition of households within the project area. Examples of applicants that are not likely to have census data currently available for the specific project area would be new county water and sewer districts or a project that encompasses a particular neighborhood within a city.

As a result, for projects that do not have census data currently available, TSEP will compute the MHI, LMI and Poverty statistics by using data for the smallest geographical census area that encompasses the proposed project area. Upon request, TSEP staff will compute the MHI, LMI and Poverty statistics for the project area and determine the local government's target rate. Potential applicants will need to provide a map clearly showing the boundaries of the project area along with any other references, such as roads and rivers that would help to locate the project area on the census maps.

Indicator 2. Financial Analysis

The analysis of the second indicator consists of scoring each applicant based upon their proposed level of local financial participation in the project relative to their ability to finance the project without TSEP assistance. The type of project determines the type of analysis that is used. **The second indicator accounts for 60 percent of the 900 points possible under Statutory Priority #2, or up to 540 points.**

A. Water, Wastewater, or Solid Waste Projects

For water, wastewater, or solid waste projects, that collect user fees, "Target Rate Analysis" is used to score each applicant based upon an applicant's projected user rate as proposed in their application versus their predetermined benchmark or "target rate." Target user rates are based on a percentage of the community's MHI. The points awarded in the target rate analysis, are automatically computed and allocated based on a five level scoring system.

Solid waste and storm sewer systems are sometimes funded through property taxes rather than user fees. In these cases, the amount of the tax assessment is compared to the target rate instead of a user fee. For the purposes of the TSEP analysis, a storm sewer system is considered to be part of a wastewater system, and if there is a separate fee, it will be added to the wastewater user fees before comparing it to the target rate.

Applicants should carefully review Appendix E, Target Rate Analysis for Water, Wastewater and Solid Waste Projects for more information about the target rate analysis. **In particular, County Water and Sewer Districts, projects that will benefit only a small, defined area of a city or town, Tribal Governments, and communities that may have undergone dramatic demographic or economic changes since the 2000 Census information was obtained, should read the notes at the end of Appendix E.**

B. Bridge Projects

The financial analysis for bridge projects, which are primarily funded through property taxes, must be approached in a manner different from water, wastewater and solid waste projects that are financed through user fees. Instead of target rate analysis, the analysis will be based on the applicants' access to funds through taxes and other sources that could potentially be used to fund bridge projects. The amount of potential funding will be calculated on a per capita basis, and will be further measured against the number of bridges that the county is responsible for maintaining.

The points awarded for the financial analysis of bridge projects are allocated based on a five level scoring system. The score awarded is based on the TSEP staff's analysis and is manually incorporated into the financial assessment.

Bridge applicants will only be compared to other bridge applicants in the financial analysis for Indicator #2. As a result, the score given to a bridge applicant on the financial analysis represents that applicant's financial need relative only to other bridge applicants. Tribal applicants with bridge projects will be analyzed similar to counties. However, the financial analysis will use the MHI for the reservation rather than the county.

C. Projects Involving Un-Developed Land

The type of financial analysis used to analyze projects that will be providing water and/or sewer service to un-developed land will be based on the type of development. If the un-developed land will be used primarily for commercial and industrial use, the type of analysis utilized will be determined by how the cost of the project will be paid for as discussed below under D. Economic Development Related Projects.

If the un-developed land will be used to provide housing, the target rate analysis will be utilized. If the cost of the project will be paid for by all of the users of the system, the target rate for the entire jurisdiction will be used. However, if only the area to be served will be paying for the cost of the project, a target rate for the new development will be required.

However, since there may not be any, or an insufficient amount of, household income data for the area, a target rate will have to be generated by the TSEP staff. An appropriate target rate will need to be established to reflect the income levels of the families living in the type of housing that is expected to be built. Other developed areas in the vicinity with similar types of housing will be looked at in determining income levels and the target rate. If the developer of the un-developed land is committed to providing a certain percentage of the housing to low or moderate-income families, the TSEP staff will take into account the percentage of low or moderate-income housing when establishing the target rate for the applicant.

Regardless of the type of development, the applicant must provide documentation showing that the applicant has a firm commitment from a developer of residential property or, in the case of an economic development project, a business that will occupy the un-developed land. A TSEP grant will not be recommended for purely speculative projects. The applicant must provide a business plan as discussed in Appendix I, Components of a Business Plan.

D. Economic Development Related Projects

The type of financial analysis used to analyze economic development related projects will depend on how the improvements will be paid for. If the cost of the project will be paid for by all of the users on the system, target rate analysis will be utilized using the target rate for the entire jurisdiction.

However, if the cost of the project will not be borne by all of the users on the system, a "financing gap" must be identified and documented in the financial package. The financial analysis will evaluate whether other funds, including private funds from the business, are insufficient to complete the project without TSEP participation.

Applicants that can demonstrate that a greater quantity of cash (instead of in-kind or other grants) will be used to satisfy the match requirement will receive a greater number of points for this indicator. A greater number of points will also be given to applicants that conclusively demonstrate that quantifiable results can be achieved and measured as a direct result of the project, especially the creation and retention of local jobs. Applicants will also be given a greater number of points if they can demonstrate that a high ratio of jobs to TSEP dollars will be created or retained.

Economic development related projects must demonstrate financial viability based on the current and projected strength of the business(s). A business plan must be submitted with the application, as discussed in Appendix I, Components of a Business Plan. A financial analysis will be conducted by the Department using standard analysis techniques. Otherwise strong proposals will not be approved if businesses cannot demonstrate long-term financial viability.

Final Competitive Ranking Score on Statutory Priority #2: Results from Indicators 1 and 2 are added together to determine an applicant's final score on Statutory Priority #2.

Important: The financial section of the *Uniform Application Form for Montana Public Facility Projects* should be accurately completed, since that information is used to conduct the financial analysis and scoring of applications on Priority #2.

The Department reserves the right to modify the information submitted by the applicant in order to ensure that the projected user rate is computed properly and most accurately reflects what the projected rate is likely to be.

However, **applicants with bridge projects** need to complete the SECTION E - SYSTEM INFORMATION REQUIRED FOR BRIDGE APPLICATIONS ONLY provided on page **32** of these application guidelines.

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STATUTORY PRIORITY #3

800 Possible Points

Projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs.

The information necessary to score this priority will be taken from the applicant's preliminary engineering report (PER). Applicants do not need to provide any narrative response to this priority unless they are providing additional information not contained in the PER. The following criteria are listed here simply to inform applicants of the issues that will be looked at in the scoring of this priority.

- a. Does the PER provide all of the information as required by the Uniform PER outline, and did the analysis address the entire system in order to identify all potential deficiencies? *(The PER should contain all of the information as specified in the Uniform PER outline, and should comprehensively examine the entire system in order to identify all potential deficiencies.)*
- b. Does the proposed project completely resolve all of the deficiencies identified in the PER? If not, does the proposed project represent a complete component of a long-term master plan for the facility or system, and what deficiencies will remain upon completion of the proposed project? *(If any deficiencies will remain upon completion of the proposed project, provide a plan for when those deficiencies will be resolved.)*
- c. Are the deficiencies to be addressed through the proposed project the deficiencies identified with the most serious public health or safety problems? If not, explain why the deficiencies to be addressed through the proposed project were selected over those identified with greater public health or safety problems. *(If the applicant has not chosen to resolve the most serious public health or safety problems, it should provide a reasonable justification for the proposed project.)*
- d. Were all reasonable alternatives thoroughly considered, and does the technical design

proposed for the alternative chosen represent an efficient, appropriate, and cost-effective option for resolving the local public facility need, considering the size and resources of the community, the complexity of the problems addressed, and the cost of the project? *(The PER must provide an analysis of all reasonable alternatives in sufficient detail to justify the alternative chosen.)*

- e. Does the technical design proposed thoroughly address the deficiencies selected to be resolved and provide a reasonably complete, cost-effective and long-term solution?
- f. Are all projected costs and the proposed implementation schedule reasonable and well supported? Are there any apparent technical problems that were not adequately addressed that could delay or prevent the proposed project from being carried out or which could add significantly to project costs?
- g. Have the potential environmental problems been adequately assessed? Are there any apparent environmental problems that were not adequately addressed that could delay or prevent the proposed project from being carried out or which could add significantly to project costs? *(The Uniform Environmental Checklist must be properly completed so that all potential environmental problems have been adequately assessed. All environmental concerns, noted in the Uniform Environmental Checklist, must be addressed in the PER when examining each of the alternative solutions.)*
- h. For projects involving community drinking water system improvements, does the applicant have a water metering system for individual services or has the applicant decided to install meters? In those cases where individual service connection meters are not proposed, has the applicant's PER thoroughly analyzed the conversion to a water metering system and persuasively demonstrated that the use of meters is not feasible, appropriate, or cost effective?
- i. Is there any other pertinent information that might influence the scoring of this statutory priority?

If the exact same project and PER was scored through the CDBG ranking process within the two years prior to the application submittal deadline, TSEP will accept the score for health and safety awarded to the applicant. A re-evaluation of the PER would be required if the proposed TSEP project is a different phase from the one proposed for CDBG funding. If any component of the proposed project has changed from what was proposed to CDBG, the Department reserves the right to re-evaluate the PER and/or assign a score different from the one assigned by CDBG.

STATUTORY PRIORITY #4	700 Possible Points
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Projects that reflect substantial past efforts to ensure sound, effective long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources.

- a. Have there been substantial past efforts to deal with public facilities problems through a long-term commitment to capital improvement planning and budgeting, and if necessary, by raising taxes, hook-up charges, user charges or fee schedules to the maximum reasonable extent? *(Describe all efforts to deal with public facilities problems through a long-term commitment to capital improvement planning and budgeting. Describe how a capital improvements plan (CIP) is utilized in conjunction with the local government's budget process. Describe efforts to keep the CIP current through annual updates or periodic revisions. If a CIP has been adopted, attach a copy of it. Also, provide a history of increases to rates and hook-up charges, or any other increases that would provide funds for improvements to the system.)*
- b. Have reasonable operation and maintenance budgets and practices been maintained over the long-term, including adequate reserves for repair and replacement? *(Provide a description and history of the system's operation and maintenance budgets and practices. Describe whether the applicant will be able to fund future improvements through reserves/depreciation accounts with only minimal assistance from state or federal grants.)*
- c. If there are indications that the problem is not of recent origin, or has developed because of inadequate operation and maintenance practices in the past, has the applicant thoroughly explained the circumstances and described the actions that management will take in the future to assure that the problem will not reoccur? *(If the deficiencies are a result of inadequate operation and maintenance practices or have been present for more than two years, explain the circumstances and describe the actions that will be taken in the future to assure that the problem will not reoccur.)*
- d. Has the applicant demonstrated a long-term commitment to community planning in order to provide public facilities and services that are adequate and cost effective? *(Describe all other planning related efforts that have been utilized to help ensure that the applicant's public facilities and services are adequate and cost effective.)*
- e. Is the proposed project consistent with current plans (such as a local capital improvements plan, growth policy, transportation plan, or any other development-related plan) adopted by the applicant? *(In particular, if the applicant is a county water and sewer district, how does the proposed project fit in the county's growth plan.)*
- f. For projects involving drinking water system improvements, has the applicant installed individual service connection meters to encourage conservation and a more equitable assignment of user costs, and has the applicant adopted and implemented a wellhead protection plan for ground water.
- g. For applicants that have previously received a TSEP grant, did the applicant

adequately administer the grant and abide by the program's requirements? *(If problems were noted during the administration of the grant, describe whether the problems were remedied or how they will be remedied before administering a new grant.)*

- h. Is there any other pertinent information that might influence the scoring of this statutory priority?

Documentation is required to verify statements presented in the narrative response to this priority. When documenting plans such as capital improvements plans and growth policies, the entire plan does not need to be attached. Instead, include the cover, table of contents, and those pages that are pertinent to the statements made.

STATUTORY PRIORITY #5

600 Possible Points

Projects that enable local governments to obtain funds from sources other than TSEP.

This priority will be scored in part based upon the information contained in the applicant's *Uniform Application Form*. **Applicants should provide additional information concerning other funding sources that were not chosen to help finance the project**, or any other information that the applicant believes important that may impact how this project may be scored.

- a. Has the applicant made serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate public or private sources, to finance or assist in financing the proposed project? *(At a minimum, each appropriate public funding source should be discussed, and whether the applicant is eligible to apply to it and if not why, when the applicant would apply to it, or why the applicant does not plan to apply to it.)*
- b. How viable is the proposed funding package? *(Describe the level of commitment from the various funding sources and the likelihood of receiving the various funds proposed.)*
- c. Is TSEP's participation in the proposed project essential to obtaining funds from sources other than TSEP? *(Describe situations where obtaining specific funds are dependent upon receiving TSEP funds because other sources of funds are not available.)*
- d. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #6

500 Possible Points

Projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintains or encourages expansion of the tax base.

- a. Will the proposed TSEP project directly result in the creation or retention of a substantial number of long-term, full-time jobs for Montanans? *(Describe any long-term, full-time jobs for Montanans that would be directly created or retained as a result of the proposed project [other than those related to the construction or operation of the system]. The narrative should describe the number of jobs, the businesses where the jobs would exist, and how the proposed project directly relates to their creation or retention. Provide documentation as applicable.)*
- b. Will the proposed TSEP project directly result in a business expansion? Is the business expansion dependent upon the proposed project in order to proceed? *(Discuss any businesses that have proposed to expand, and why they are dependent upon the proposed project to proceed.)*
- c. Has the applicant provided a business plan for the specific firm(s) to be expanded as a result of the proposed TSEP project? If yes, is it a realistic, well-reasoned business expansion proposal and does it clearly demonstrate that the firm to be assisted by the proposed public facilities has a high potential for financial success if TSEP funds are received? *(Submit a business plan as described in Appendix I, Components of a Business Plan, for each business to be expanded as a result of the proposed TSEP project.)*
- d. Will the proposed TSEP project maintain or encourage expansion of the private property tax base? *(Describe how the proposed TSEP project will maintain or encourage expansion of the private property tax base, and provide documentation if available.)*
- e. In situations where a private sector alternative could be reasonably appropriate and capable of providing a long-term, cost-effective solution, did the applicant seriously evaluate the option of utilizing the private sector to resolve the identified public facility problem? *(Describe your evaluation of whether the private sector could be utilized to resolve the identified public facility problem.)*
- f. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #7

400 Possible Points

Projects that are high local priorities and have strong community support.

- a. Has the applicant encouraged active citizen participation, including at least one public hearing or meeting held not more than 12 months prior to the date of the application, to discuss the proposed TSEP project and receive comments from the affected community residents? *(Describe your efforts to encourage active citizen participation. Provide documentation including copies of newsletters, special mailings, public hearing advertisements and announcements, agendas, minutes, public comments, newspaper articles, etc.)*
- b. Has the applicant informed local citizens and affected property owners of the estimated cost per household of any anticipated increases in taxes, special assessments, or user charges that would result from the proposed project? *(Provide documentation that local citizens and affected property owners have been informed of the estimated cost per household of any anticipated increases in taxes, special assessments, or user charges that would result from the proposed project.)*
- c. Has the applicant assessed its public facility needs, established priorities for dealing with those needs through an officially adopted capital improvements plan (or other comparable plan), and is the proposed TSEP project a high priority of that plan? *(Describe and provide documentation that the applicant has assessed its public facility needs, established priorities for dealing with those needs through an officially adopted capital improvements plan, and that the proposed TSEP project is a high priority of that plan. Documentation could include copies of public opinion surveys, growth policies, transportation plans, needs assessments, CIP's, facility plans, system master plans, etc).*
- d. Are the local citizens and affected property owners in support of the project? *(Describe and provide documentation that local citizens and affected property owners are in support of the project. Documentation could include copies of public opinion surveys, petitions, letters of support, etc.)*
- e. Is there any other pertinent information that might influence the scoring of this statutory priority?

In its narrative response to Statutory Priority #7, each applicant should describe its efforts to assure citizen participation in the selection of the proposed project and document local awareness of, and support for, the proposal.

Applicants must have at least one advertised public hearing or meeting in the area of the project, not more than 12 months prior to the date of the application, to inform and receive comments from local citizens and affected property owners regarding the key components and

costs of the proposed project and the amounts of any anticipated increases in user charges or assessments that will result from the proposed project, **including the estimated cost per household**. Applicants should take active measures to alert local citizens and affected property owners that a public hearing or other informational meeting will occur. Hearings or meetings should be scheduled at times and at locations that are convenient for the average citizen. It is important that the public is adequately informed and has adequate opportunities to comment on the project.

In order to obtain the maximum points possible, applicants should provide adequate documentation to substantiate their citizen participation efforts. Copies of public hearing advertisements, agendas and minutes, along with newspaper articles, public opinion surveys, petitions, special mailings, newsletters, and letters of support should be submitted to demonstrate that the public has been adequately informed about the proposed project as it evolved and has had adequate opportunities to provide comments on the proposed project, and that local residents are in support, of the proposed project.

D. SCORING LEVEL DEFINITIONS FOR THE SEVEN STATUTORY PRIORITIES

Statutory Priority #1 - Projects that solve urgent and serious public health or safety problems, or that enable local governments to meet state or federal health or safety standards.

General Scoring Notes Related To Statutory Priority #1

The score level for Statutory Priority #1 may be reduced depending upon the degree to which:

- ☐ the deficiency and the resulting health and safety problems are existing, long-term or continual;
- ☐ the problems related to the deficiency affect the entire or substantial portion of the community, or have a high potential to affect the entire or substantial portion of the community;
- ☐ there are reasonable, cost-effective, reliable and long-term management practices that would reduce the health and safety risks and no other reasonable alternatives, temporary or otherwise are available; and
- ☐ the deficiencies and the impact on the public's health and safety has been documented. If documentation is not provided, or is considered to be inadequate, the score is likely to be reduced.
- ☐ the proposed project would solve the public health or safety problems.

If the most serious deficiencies represent only a small component of the overall project, the project as a whole may be scored lower than what would normally be indicated for the more serious deficiencies. At the Department's discretion, multiple deficiencies may be weighted.

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based on cost, to determine the scoring level. For instance, if a very small percentage of the project cost goes toward solving level “5” deficiencies and a significantly larger percentage of the project cost is for solving level “3” deficiencies, then the project would probably be scored at a level 3 or 4. The scoring of multiple bridges in an application will always be weighted, based on cost, to determine the final scoring level.

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An administrative order (or other directive) does not guarantee a particular score. The seriousness of the deficiencies and their impact on the public’s health and safety will determine the score awarded.

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While environmental pollution is an important concern, it is primarily taken into account in terms of the impact that the pollution has on the public’s health and safety. Environmental pollution can also be taken into account in terms of whether the project enables local governments to meet state or federal health or safety standards.

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Level 1 The Applicant did not sufficiently demonstrate that it has a deficiency in its (type) system that could affect the public’s health and safety.

- ☐ Typically, this level is assigned when the applicant does not submit the required preliminary engineering information that would allow the TSEP staff to adequately evaluate the needs of the system.
- ☐ This level may also be assigned when the applicant was unable to document a threat to public health and safety. The claimed deficiency may be related to routine operations and maintenance issues.

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Level 2 The applicant sufficiently documented deficiencies in the (type) system that could potentially affect the public’s health and safety at some point in the future if the deficiencies are not corrected. However, the problems have not been documented to have occurred yet and the deficiencies are not likely to be a threat to public health or safety.

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- ☐ This level may also be assigned if the applicant has not adequately shown that the deficiencies, which would otherwise be scored at a higher level, would be resolved.

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Level 3 The Applicant sufficiently demonstrated that consequences (such as illness, disease, or injury) attributable to the deficiencies in the (type) system are likely to occur in the long-term if the deficiencies are not corrected. These health and safety problems have a relatively high probability of occurrence after chronic exposure (exposure over many years), or a moderate probability of occurrence in the near-term as a result of incidental, short-term or casual contact. The applicant has adequately documented the deficiencies and their potential impact on the public’s health and safety.

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Level 4 The Applicant sufficiently demonstrated that consequences (such as illness, disease, or injury) clearly attributable to the deficiencies in the (type) system are

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likely to occur in the near term. These health and safety problems have a high probability of occurrence in the near-term as a result of incidental, short-term or casual contact, or a relatively high probability of occurrence after chronic exposure (exposure over many years) but the consequences of exposure are more serious than a level 3. The applicant adequately documented the deficiencies and their potential impact on the public's health and safety.

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Level 5 The Applicant sufficiently demonstrated that consequences (such as illness, disease, or injury) clearly attributable to the deficiencies in the (type) system have occurred or are imminent, and are highly likely to reoccur. The applicant clearly documented the deficiencies and their impact on the public's health and safety.

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Examples of Deficiencies and How They Would Likely be Scored by Type of Project

Water Projects

Examples of deficiencies that would typically be scored at a Level 1:

- ❑ A community that is making improvements to the water system to improve efficiency and/or reduce operation and maintenance costs.
- ❑ Replacement of routine equipment or performance of routine maintenance, such as hatch replacement or water reservoir painting, which should reasonably be a part of a normal maintenance program.

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Examples of deficiencies that would typically be scored at a Level 2:

- ❑ A community that has the ability to provide basic domestic demands and has the ability to provide adequate fire protection in high density developments, affecting key community facilities (such as schools, hospitals, etc.), or in areas that are critical to the local economy, but still experiences water shortages, most likely due to summertime irrigation demands.
- ❑ A community that can provide some fire protection, but the water system's ability to provide fire protection is below standards in areas of low-density development, and parks.
- ❑ A community that has poor water quality aesthetics such as color or odor.
- ❑ A community that has low chlorine residuals as a result of long dead end mains.
- ❑ A community whose water system has contaminants (such as iron, manganese, sulfate, total dissolved solids) that exceed secondary standards as listed in the Safe Drinking Water Act and subsequent amendments.

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Examples of deficiencies that would typically be scored at a Level 3:

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- ❑ A community whose water system can meet the basic wintertime domestic demands (exclusive of irrigation), and can provide some fire protection, but the water system's capacity to provide fire protection is below standards in high density developments, affecting key community facilities (such as schools, hospitals, etc.), or in areas that are critical to the local economy.
- ❑ A community whose water system is grossly inadequate in terms of providing fire protection in areas of lower density housing and commercial areas, and areas not critical to the local economy.
- ❑ A community that is making proactive improvements to the infrastructure of a public water system that helps it remain in compliance with current regulatory requirements, ensures compliance with future requirements, or prevents future violations of any applicable state or federal law or regulation. A higher score for proactive improvements could be realized if the improvements address imminent or near term health and safety issues.
- ❑ A community whose water system has had occasional, but reoccurring, non-acute violations of the Total Coliform Rule. Continued use of the contaminated water or groundwater source has a high probability of resulting in illness in the long term. The problem must be documented as a previously unresolved problem that is beyond the direct control of the water supplier.
- ❑ A community whose water system frequently detects organic chemicals, but has not yet exceeded MCLs for primary standards of contaminants listed in the Safe Drinking Water Act and subsequent amendments. Continued use of the contaminated water or groundwater source has a high probability of resulting in illness in the long term.
- ❑ A community whose water system has a groundwater source with elevated nitrate levels above one-half the MCL. Continued use of the contaminated groundwater source has a high probability of resulting in illness in the long term.
- ❑ A community with low distribution system pressures, frequent leaks and a reasonable potential for backflow contamination in the long term.
- ❑ A community that is proposing improvements, such as replacing leaky water mains to reduce losses, resulting in significant improvement in pressure, water quality, or fire protection.
- ❑ A community with components, such as a pumping station, that have outlived their useful life and could potentially fail in the long term.
- ❑ A community that has a safety issue in the treatment plant or at a pumping station that has a reasonable probability of causing serious injury to the operator in the long term.
- ❑ An untreated groundwater source with extremely high levels of secondary contaminants such as manganese, iron, or sulfates. The levels must be several times greater than the secondary MCLs.

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Examples of deficiencies that would typically be scored at a Level 4:

- ❑ A community whose water system can meet the basic wintertime domestic demands (exclusive of irrigation), but whose ability to provide fire protection is grossly inadequate in higher density residential, commercial, and industrial areas, affecting key community facilities (such as schools, hospitals, etc.), or in areas that are critical to the local economy.
- ❑ A community whose water treatment facility does not adequately treat water, and therefore, illness or disease is highly probable (such as a community who only currently disinfects their surface water and it has been documented that additional treatment such as filtration is required).
- ❑ A community whose groundwater source is documented to be under the influence of surface water and adequate treatment facilities are not currently available.
- ❑ A community does not have a backup water supply or redundancies in the water system (such as backup intake pump for surface water treatment plant) and a failure of the existing facilities (such as pump or source) would likely result in the total loss of supply.
- ❑ A community that has documented a significantly reduced yield from its water source such that it cannot meet system demands exclusive of irrigation (such as groundwater source drying up).
- ❑ A community whose water system experiences reoccurring exceedances of MCLs for primary standards of contaminants listed in the Safe Drinking Water Act and subsequent amendments, but has not had a confirmed MCL violation based on quarterly sampling. Continued use of the contaminated water or groundwater source has a high probability of resulting in illness in the near term. The problem must be documented as a previously unresolved problem that is beyond the direct control of the water supplier.
- ❑ A community whose water system has had persistent, non-acute violations of the Total Coliform Rule. Continued use of the contaminated water or groundwater source has a high probability of resulting in illness in the near term. The problem must be documented as a previously unresolved problem that is beyond the direct control of the water supplier.
- ❑ A community whose water system has a groundwater source with consistently elevated nitrate levels above one-half the MCL. Continued use of the contaminated groundwater source has a high probability of resulting in illness in the near term.
- ❑ A community whose deteriorated water mains are located in an area with heavily contaminated soils with a high potential for contaminants to enter the water supply in the near term.
- ❑ A community that has significant safety issues in the treatment plant or at a pumping station, which have a high probability of causing serious injury to the operator in the near term.

Examples of deficiencies that would typically be scored at a Level 5:

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- ❑ A community that has documented a total and permanent loss of water source (such as when the groundwater source dries up).
- ❑ A community that has documented contamination (or where contamination is imminent) of their water supply with fecal coliform bacteria, giardia, cryptosporidium, acute levels of nitrates, etc. with no current means of protection from the contaminants (such as filtration, disinfection). Even though no illnesses have been connected to the contaminated water system, continued use of the contaminated water is a threat to public health.
- ❑ A community that has documented that their groundwater source is under the influence of surface water and contamination of the groundwater supply is occurring or is considered imminent. The community has no current means of protection from the contaminants (such as filtration, disinfection). Continued use of the groundwater source is a threat to public health.
- ❑ A community whose water system cannot meet basic wintertime demands (October through March) including (domestic/industrial/commercial) demands, exclusive of irrigation. If a community cannot meet its basic wintertime demands, it is also assumed that fire protection capacity is grossly inadequate.
- ❑ A community whose water source has been found to be contaminated by chemical contaminants that exceed unreasonable risk to health (URTH) levels (as defined by Environmental Protection Agency [EPA]) and have a high potential to result in serious illness.
- ❑ Documented carcinogens in the water supply that persistently exceed primary maximum contaminant level (MCL) standards.
- ❑ A community whose water system experiences violations of MCLs for primary standards of contaminants listed in the Safe Drinking Water Act and subsequent amendments. Continued use of the contaminated water or groundwater source has resulted in illness, or illness is imminent. The risk must be documented as a previously unresolved problem that is beyond the direct control of the water supplier.
- ❑ A community whose water system has had persistent, acute violations of the Total Coliform Rule, or a community that has an untreated groundwater source with nitrate levels that have resulted in a confirmed MCL violation. Continued use of the contaminated water or groundwater source has resulted in illness, or the risk of illness is imminent. The risk is documented as a regularly reoccurring and unresolved problem that is beyond the direct control of the water supplier.

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Wastewater Projects

Examples of deficiencies that would typically be scored at a Level 1:

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- ❑ An inadequate access road to a wastewater treatment facility requires that chemicals be delivered in 55-gallon drums instead of bulk shipments.

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Examples of deficiencies that would typically be scored at a Level 2:

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- ❑ A community's wastewater treatment lagoon is on rare occasion unable to meet the requirements of its discharge permit, and the cause of the violations is not attributable to a lack of maintenance.

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- ❑ A community has documented excessive infiltration and/or inflow within its collection system, but has not documented any back-ups, exfiltration to groundwater, or negative effects on treatment plant performance.

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- ❑ A community has sewer mains of inadequate slope or size by current design standards, but that provide adequate service with routine maintenance activities.

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Examples of deficiencies that would typically be scored at a Level 3:

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- ❑ A community has experienced effluent discharge violations resulting in a State or Federal directive (such as a compliance order) or it is documented that such directives are probable if corrective actions are not taken.

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- ❑ A community directly discharges to a water body and experiences periodic discharge violations and/or inadequate treatment. There exists some opportunity for the public to come in contact with inadequately treated or inadequately disinfected wastewater. The opportunities for contact with people must be documented with photos, maps, or other supporting evidence in order to demonstrate the level of public use of the area.

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- ❑ Infrequent back-ups of wastewater into a small number of basements, due to inadequate facilities rather than isolated incidents that are unique, infrequent, or catastrophic events.

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- ❑ A community that is making proactive improvements to the infrastructure of a public wastewater system that helps it remain in compliance with current regulatory requirements, ensures compliance with future requirements, or prevents future violations of any applicable state or federal law or regulation. A higher score for proactive improvements could be realized if the improvements address imminent or near term health and safety issues.

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- ❑ A community that routinely discharges undisinfected wastewater or inadequately treated wastewater or sludge in a location where opportunities for contact with people is not likely to occur and the public health or safety threat is not significant.

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- ❑ A leaking lagoon that could impact the groundwater, but would not likely impact the public's health and safety.

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- ❑ A community lacks a centralized wastewater system. The community has a reasonable potential to contaminate groundwater or surface water but it is not used for a public or a private water supply source. There are limited locations for replacement drainfields.

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- ❑ A community that has a safety issue in the treatment plant or at a pumping station that has a reasonable probability of causing injury to the operator in the long term.
- ❑ A community's collection system is deteriorated and in need of replacement and there is a reasonable probability of occurrence of back-ups into homes and businesses in the long term.
- ❑ Lift stations that have outlived their useful life and could potentially fail in the long term and affect the public's health and safety.
- ❑ Excessive infiltration/inflow in the collection system that could significantly and adversely affect the wastewater treatment processes.
- ❑ A community is constructing a wastewater treatment facility or upgrading its existing facility to comply with a current or proposed Total Maximum Daily Load (TMDL) or other water quality standards, unless near-term or imminent health and safety threats can be documented.

Examples of deficiencies that would typically be scored at a Level 4:

- ❑ A community that routinely discharges undisinfected wastewater or inadequately treated wastewater or sludge in a location where opportunities for contact with people is likely to occur. The opportunities for contact with people must be documented with photos, maps, or other supporting evidence in order to demonstrate the level of public use of the area.
- ❑ Failure of a major treatment plant element or process has a high probability of occurring in the near term and the result is that direct exposure of untreated or inadequately treated wastewater has a high potential to affect a large portion of the population directly or through vectors. The failure must have a high potential to result in a significant threat to the health and safety of the public.
- ❑ A community with documented elevated levels of nitrate above background levels (or other contaminant with potentially acute consequences) in their groundwater supply resulting from a leaking wastewater lagoon. A community whose drinking water supply has the potential of being contaminated in the short term due to inadequate wastewater facilities (such as grossly leaking lagoon or on-site wastewater disposal systems that could significantly impact the groundwater or nearby surface water body), but contamination has not yet occurred. The contaminant must have the potential to cause immediate illness, disease, or significant environmental pollution.
- ❑ Frequent back-ups of wastewater into numerous basements have been documented that would likely impact the public's health and safety, due to inadequate facilities, rather than isolated incidents, that are unique, infrequent, or catastrophic events.
- ❑ Lift stations that are likely to fail in the near-term and affect the public's health and safety. Past failures have resulted in several sewer back-ups. Failures must be due to inadequate facilities rather than catastrophic events.

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❑ A community that lacks a centralized wastewater system and is currently contaminating groundwater or surface water that is not used for a public water supply source; there are no appropriate locations for replacement drainfields; and the contaminated groundwater has been documented.

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❑ A community is constructing a wastewater treatment facility or upgrading its existing facility to comply with a current or proposed TMDL or other water quality standards, and the receiving waters have a high likelihood for frequent usage by numerous persons for activities such as fishing and swimming, or could impact a public water supply source.

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❑ A community is constructing a wastewater treatment facility or upgrading its existing facility to comply with a current or proposed TMDL or other water quality standards, and environmental events, such as fish kills or algal blooms, that could affect human health and safety are likely to occur in the near term.

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Examples of deficiencies that would typically be scored at a Level 5:

❑ Failure of a lagoon dike has occurred or there is adequate documentation that failure is imminent with continued use and that the lowering of the lagoon level will not impact the severity of the deficiency.

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❑ Failure of a major treatment plant element or process has occurred, or is imminent, and the result is that direct exposure of untreated or inadequately treated wastewater has occurred or will occur and has a high potential to affect a large portion of the population directly or through vectors. The failure must have a high potential to result in a significant threat to the health and safety of the public. There are no backup systems.

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❑ Acute contamination of a public drinking water supply by a centralized wastewater system has occurred or is imminent, and the contaminant has a high potential to cause immediate illness or disease.

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❑ A community has inadequately treated wastewater and no alternate means for treatment or discharge and the consequences result in a significant threat to the health and safety of the public. For example, a community that relies on land application for disposal, but can no longer use the land application site thus forcing the community to discharge the wastewater into an area where human contact is likely.

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❑ A community lacks a centralized wastewater system and is currently, or has a high potential of, acutely contaminating water supply sources for the community. The documented contamination must have a high potential to cause immediate illness or disease. There are no appropriate locations for replacement drainfields.

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❑ Cases of severe and frequent back-ups of wastewater into numerous basements have been documented that would likely impact the public's health and safety, due to inadequate facilities rather than isolated incidents that are unique, infrequent, or catastrophic events.

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Storm Water Projects

Examples of deficiencies that would typically be scored at a Level 1:

- ❑ When flooding represents only an occasional nuisance to the community (such as periodic ponding of water due to storm events that impedes traffic).
- ❑ Flooding is isolated to a parking lot where alternate sites can be temporarily employed.

Examples of deficiencies that would typically be scored at a Level 2:

- ❑ A community that has a combined sewer system resulting in Level 2 impacts defined under the wastewater levels.
- ❑ A community with poor drainage facilities resulting in potential localized safety hazards due to continuous ponding of water (such as nuisance ponding, mosquitoes, or delay of emergency vehicles).
- ❑ A community whose storm drain system does not meet design standards.

Examples of deficiencies that would typically be scored at a Level 3:

- ❑ A community that has a combined sewer system resulting in Level 3 impacts defined under the wastewater levels.
- ❑ A community with poor drainage facilities resulting in potential community wide safety hazards due to continuous ponding of water (such as nuisance ponding, mosquitoes, or delay of emergency vehicles).
- ❑ A community that is making proactive improvements to the infrastructure of a public storm water system that helps it remain in compliance with current regulatory requirements, ensures compliance with future requirements, or prevents future violations of any applicable state or federal law or regulation. A higher score for proactive improvements could be realized if the improvements address imminent or near term health and safety issues.

Examples of deficiencies that would typically be scored at a Level 4:

- ❑ A community that has a combined sewer system resulting in Level 4 impacts defined under the wastewater levels.
- ❑ A community who experiences failures of on-site wastewater treatment and disposal systems and failures of water supply wells due to surface water flooding or rising groundwater as a result of a storm event and the failures are on-going and are likely to occur again.
- ❑ A community where storm water runoff creates significant safety hazards (such as drowning) community wide, or in areas of high density residential, schools, daycare facilities or other areas where ponding water could be considered an attractive nuisance.

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- ❑ A community that is separated by physical barriers, such as a river or railroad tracks, with limited crossings that are prone to severe flooding, resulting in a significant delays for emergency vehicles.

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Examples of deficiencies that would typically be scored at a Level 5:

- ❑ A community that has a combined sewer system resulting in Level 5 impacts defined under the wastewater levels.
- ❑ A community who experiences significant regular flooding during a common (such as a 2-year, 1-hour) storm event. The flooding must have a high potential to result in a significant threat to the health and safety of the public.
- ❑ Complete failure of a storm water system (such as a breach of a detention basin) that exposes the public to significant flooding. The flooding must have a high potential to result in a significant threat to the health and safety of the public.

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Solid Waste Projects

Examples of deficiencies that would typically be scored at a Level 1:

- ❑ A solid waste facility wants to install a greenbelt with trees and drip irrigation to reduce visual impacts of the site.
- ❑ A solid waste facility has an odor problem that affects local residents. The facility proposes to install a gas extraction system to reduce odors.

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Examples of deficiencies that would typically be scored at a Level 2:

- ❑ A solid waste facility with a severe wind blown litter problem, that results in frequent public contact with wastes and pollution of the environment. Facility improvements are needed to reduce the litter problems and all viable management techniques have been tried.
- ❑ A solid waste handling facility (transfer station or container site) that uses equipment or technology that is not the standard of the industry.

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Examples of deficiencies that would typically be scored at a Level 3:

- ❑ A community that is making proactive improvements to the infrastructure of a public solid waste system that helps it remain in compliance with current regulatory requirements, ensures compliance with future requirements, or prevents future violations of any applicable state or federal law or regulation. A higher score for proactive improvements could be realized if the improvements address imminent or near term health and safety issues.

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❑ A transfer station or container site that needs to make improvements to improve the safety of a site, so that the likelihood of injury is reduced.

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❑ A community that is making improvements to its facility to reduce the possibility of contamination of valuable environmental resources. For example, closure of unlined landfill areas, improved surface water controls, gas extraction systems, lining systems, etc.

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Examples of deficiencies that would typically be scored at a Level 4:

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❑ A community that has inadequate solid waste handling facilities resulting in public contact with wastes and the potential for impact to public health and safety.

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❑ A solid waste facility has contaminated the local groundwater and a community's drinking water supply has a high probability of being contaminated due to inadequate solid waste facilities (such as leaking landfill), but contamination of drinking water has not yet occurred. The contaminant must have a high probability to cause immediate illness or disease in the near term. Remediation efforts including closure, groundwater treatment, drainage improvements, etc. may be included.

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❑ A solid waste facility that has a high probability for injury in the near term without safety upgrades, but has not had injuries to date.

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❑ A solid waste system under court order or a State or Federal directive to make improvements, where the deficiencies may not be directly related to severe human health threats. Deficiencies may be related to negative impacts to the environment such as ground water contamination, gas migration, etc.

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❑ A solid waste facility with a substandard access road, within the facility boundary, where accidents have occurred and there is a high potential for serious injuries to the general public.

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Examples of deficiencies that would typically be scored at a Level 5:

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❑ A transfer station or container site that needs safety improvements because of documented injuries or deaths to the public that utilize the facility or facilities designed very similar to it.

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❑ Contamination of drinking water supply by a solid waste system has occurred, and where the contaminant has the potential to cause immediate illness or disease.

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❑ A solid waste facility with a substandard access road design that has resulted in deaths or serious injuries to the public.

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❑ Landfill gas migration is occurring resulting in gas accumulation in surrounding structures and there is potential for explosive concentrations of gas to occur.

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❑ Severe groundwater contamination by a solid waste system has occurred and the groundwater has been documented as a high-value resource such as a sole source aquifer.

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The contamination may not have affected drinking water sources, but has a high potential to do so in the near future. The facility is under a court order or state directive to solve the deficiency.

Bridge Projects

General Scoring Notes Specifically Related To Bridge Projects

Scores for statutory priority #1 for bridges are generally based on NBI rankings. However, the score level for Statutory Priority #1 may be reduced under the following situations:

❑ The bridge does not provide vital access. Some of the factors that will be taken into account are:

- The number and type of vehicles that regularly cross the bridge.

- The number of homes that are accessed by crossing the bridge.

- Whether the users are year-round residents as compared to seasonal users, and

- Whether the bridge provides access that is considered to be critical. For example, does the bridge provide the only access to an area? If there is an alternative route, does it significantly increase the response time for emergency vehicles? The length and condition of the alternative route will be taken into account;

❑ Whether there are reasonable, cost-effective, reliable and long-term management practices that would reduce the safety risks and no other reasonable alternatives, temporary or otherwise are available, such as closing a bridge or performing simple repairs; and

❑ If the applicant has not adequately documented the deficiency and impact on the public's safety using bridge inspection data meeting the format and criteria outlined in the National Bridge Inspection (NBI) Coding Guide.

❑ If bridge inspections are performed by individuals that do not meet the criteria outlined in 23 CFR 650, subpart C.

In a limited number of situations, the scores for bridges may be based on criteria other than the NBI rankings. When appropriate, a score may be based on the same health and safety criteria used to score other types of projects.

Examples of deficiencies that would typically be scored at a Level 1:

❑ The failure to provide NBI inspection data from MDT, or a qualified professional engineer, or a certified bridge inspector, will result in a level 1 score for a bridge.

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Examples of deficiencies that would typically be scored at a Level 2:

- ❑ NBI Sufficiency Rating (S.R.): S.R. greater than 50%, but less than or equal to 80% and
- ❑ 1) NBI Bridge Appraisal (Structural Evaluation) Rating: the appraisal item for the overall structure must receive a minimum score of "5" or
- ❑ 2) NBI Bridge Element Condition Rating: one of the condition ratings for the bridge deck, superstructure, or substructure must receive a minimum score of "6" or "7".
- ❑ A new bridge, or if a bridge is proposed to replace a culvert, where none previously existed, could receive a Level 2 score if the public safety could be adversely affected if the bridge were not built.

Examples of deficiencies that would typically be scored at a Level 3:

- ❑ NBI Sufficiency Rating (S.R.): S.R. greater than 50%, but less than or equal to 80% and
- ❑ 1) NBI Bridge Appraisal (Structural Evaluation) Rating: the appraisal item for the overall structure must receive a minimum score of "4" or
- ❑ 2) NBI Bridge Element Condition Rating: one of the condition ratings for the bridge deck, superstructure, or substructure must receive a minimum score of "4" or "5".
- ❑ If the bridge has failed or washed out, or if a bridge is proposed to replace a culvert, such that there are no applicable NBI ratings, then a Level 3 score could be given if there is a high probability of significant risk in the long term to public safety as a result of the bridge closure or the condition of the culvert. A new bridge, where none previously existed, could receive a Level 3 score if a high probability of significant risk in the long term to public safety could be shown if the bridge was not built.

Examples of deficiencies that would typically be scored at a Level 4:

- ❑ NBI Sufficiency Rating (S.R.): S.R. less than or equal to 50% and
- ❑ 1) NBI Bridge Appraisal (Structural Evaluation) Rating: the appraisal item for the overall structure must receive a minimum score of "3" or
- ❑ 2) NBI Bridge Element Condition Rating: one of the condition ratings for the bridge deck, superstructure, or substructure must receive a minimum score of "3" or "4".
- ❑ If the bridge has failed or washed out, or if a bridge is proposed to replace a culvert, such that there are no applicable NBI ratings, then a Level 4 score could be given if there is a high probability of significant risk in the short term to public safety as a result of the bridge closure or the condition of the culvert. A new bridge, where none previously existed, could receive a

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Level 4 score if a high probability of significant risk in the short term to public safety could be shown if the bridge was not built.

Examples of deficiencies that would typically be scored at a Level 5:

- ❑ NBI Sufficiency Rating (S.R.): S.R. less than or equal to 50% and
- ❑ 1) NBI Bridge Appraisal (Structural Evaluation) Rating: the appraisal item for the overall structure must receive a minimum score of "2" or less, or
- ❑ 2) NBI Bridge Element Condition Rating: one of the condition ratings for the bridge deck, superstructure, or substructure must receive a minimum score of "2" or less.
- ❑ If the bridge has failed or washed out, or if a bridge is proposed to replace a culvert, such that there are no applicable NBI ratings, then a Level 5 score could be given if there is currently a significant risk to public safety as a result of the bridge closure or the condition of the culvert.

Statutory Priority #2 – Projects that reflect greater need for financial assistance than other projects.

This priority will be electronically scored using a computer analysis that is based on set parameters. However for some types of projects, such as bridge projects, that are not analyzed using the target rate analysis, the point level scores for the second financial indicator will be manually inserted into the computer analysis. In addition, the computer assigned score may potentially be manually increased if the applicant adequately documents that dramatic economic or demographic changes have occurred since the 2000 census and they are not being taken into account in the analysis.

Statutory Priority #3 - Projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs.

General Scoring Notes Related To Statutory Priority #3

Examples where the score level for Statutory Priority #3 will likely be reduced include, but are not limited to, the following situations:

- ❑ If documentation is not provided, or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the PER or application, documentation is required.
- ❑ If the PER does not clearly define what will take place in the project phase for which funds are currently being requested.

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❑ If the PER ignores a more serious problem than the chosen alternative would solve.

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❑ If the PER does not contain information that is required by the latest edition of the Uniform Application and it is deemed to be important. Especially if the:

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- PER does not discuss future permit limits or regulatory requirements, or

- Problem definition, alternatives analysis, environmental documentation, or cost estimates are incomplete or lack sufficient detail.

At the discretion of the department, issues not adequately addressed in the PER may be weighted depending on the cost of that project component compared to the total cost of the project, and how important the component is to the overall project. For instance, if the issue that was not adequately addressed relates to a minor deficiency and represents only a small portion of the cost, the score would not likely be impacted as much as if the issue relates to a serious deficiency or represents a significant portion of the cost.

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As stated on page 2, Statutory Priority #3 uses only four point levels to score the technical aspects of the application. As a result, points for Statutory Priority #3 are awarded using a quartile system. The reason for this change is due to the difficulty in distinguishing between a PER that is essentially complete and one that may have only minor issues not adequately discussed. With only four levels, a PER is considered either reasonably adequate and is assigned the maximum number of points, or there are clearly some important issues not adequately addressed and a lesser number of points are assigned.

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Level 1 The Applicant did not demonstrate that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution to its public facility needs. The application did not provide sufficient information to properly review the proposed project. Either the preliminary engineering report was not submitted with the application, or if it was submitted, did not address numerous critical issues needed to evaluate the project proposed by the Applicant.

Level 2 The Applicant inadequately demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution to its public facility needs; or, the preliminary engineering report was incomplete and there were some significantly important issues that were not adequately addressed. These issues raised questions regarding the appropriateness of the solution selected by the Applicant.

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Level 3 The Applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution to its public facility needs. However, the preliminary engineering report was not as complete as it should have been and there were some potentially important issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the Applicant.

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Level 4 The Applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution to its public facility needs. The preliminary engineering report was generally complete and there were no issues, or only minor issues, that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the Applicant.

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Statutory Priority #4 - Projects that reflect substantial past efforts to ensure sound, effective long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources.

General Scoring Notes Related To Statutory Priority #4

▲ The score level for Statutory Priority #4 will likely be reduced under the following situations:

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- ❑ If documentation is not provided, or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the application, documentation is required. Adequate documentation does not require that entire plans be submitted. Instead, include the cover page, table of contents, and any other relevant pages relating to the system or project. Documentation should also include whether a plan has been adopted. A completed signature page should be submitted, or an official resolution showing something was adopted should be included.
- ❑ If an RSID/county operated system has not yet been legally formed as a county water and sewer district.
- ❑ If the applicant does not have a metered water system and meters are not proposed as part of the project. The applicant must adequately demonstrate that meters would not be appropriate.
- ❑ If operations and maintenance budgets or practices are considered to be less than adequate.
- ❑ Lack of, or having an insufficient, capital improvements plan (CIP). The CIP must be comprehensive, adopted, and updated annually. The applicant must demonstrate that the CIP is actively being used as a budgeting tool. County water and sewer districts should include information related to the county's CIP to obtain full credit toward this requirement.
- ❑ Insufficient detail. Rather than simply stating what is currently the state of affairs, provide a history. Include when something was first adopted and the years when changes or revisions occurred. For example, provide a history of rate changes, or in addition to stating the town has a capital improvements plan, state when the plan was first created and the years that it was updated.

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Level 1 The applicant did not demonstrate that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, or to resolve its infrastructure problems with local resources.

- ☐ This level will be assigned if the current condition of the system is attributable to grossly inadequate operation and maintenance budgets and poor maintenance practices, and, as a result, has not reasonably maintained the system in proper working condition. In addition, the applicant has not adequately taken advantage of other measures that could have improved the situation of the system.

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Level 2 The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

- ☐ This level will be assigned if the applicant recently formed as a County Water and Sewer District to take over the operation of an existing private system.
- ☐ This level will be assigned if the applicant appears to have had operation and maintenance budgets and practices that do not appear to be reasonably adequate, which have contributed to the deficiencies that will be resolved by the proposed project. In addition, the applicant has not reasonably demonstrated that it has made adequate changes to preclude these practices from continuing.
- ☐ This level will be assigned if the applicant has reasonable operation and maintenance budgets and practices, but has not taken advantage of the various types of planning tools available (including but not limited to a CIP, growth policy, and needs assessments) or the proposed project does not appear to be consistent with the goals and objectives of adopted plans.

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Level 3 The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

- ☐ This level will be assigned if the applicant recently formed as a County Water and Sewer District to take over the operation of system operated by a county through an RSID.
- ☐ This level will be assigned if the applicant appears to have had operation and maintenance budgets and practices that do not appear to be reasonably adequate, but has clearly demonstrated that it has made adequate changes to preclude these practices from reoccurring.
- ☐ This level will be assigned when the applicant has reasonable operation and maintenance budgets and practices, but has only recently started to utilize various types of planning tools available (including but not limited to a CIP, growth policy, and a comprehensive needs assessments) and the proposed project promotes the goals and objectives of those plans.
- ☐ In order for an applicant to be credited with having a CIP, it must be a separate stand alone document. An applicant using the PER as a substitute for a CIP will receive no more than a level 3 score.

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Level 4 The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

- ☐ This level will be assigned when the applicant has reasonable operation and maintenance budgets and practices, and has demonstrated that it takes a proactive approach to solving its infrastructure problems. The applicant has also utilized one or more of the various types of planning tools available (including but not limited to a CIP, growth policy, and needs assessments) for more than two years, the CIP is actively used and updated annually, and the proposed project promotes the goals and objectives of those plans.
- ☐ This level will be assigned if the CIP is not a comprehensive document, but is only concerned with limited components of the applicant's infrastructure.

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Level 5 The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

- ☐ This level will be assigned when the applicant has reasonable operation and maintenance budgets and practices, and has demonstrated that it takes a proactive approach to solving its infrastructure problems. The applicant has also utilized multiple forms of the various types of planning tools available (including but not limited to a CIP, growth policy, and needs assessments) for many years, and the proposed project promotes the goals and objectives of those plans. In order to receive a level 5 score, the applicant must have an adopted, comprehensive CIP, that has been utilized for at least four years and has been updated annually.

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Statutory Priority #5 - Projects that enable local governments to obtain funds from sources other than TSEP.

General Scoring Notes Related To Statutory Priority #5

The score level for Statutory Priority #5 will likely be reduced under the following situations:

- ☐ If documentation is not provided, or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the application, documentation is required.
- ☐ If an RSID/county operated system has not yet been legally formed as a county water and sewer district.
- ☐ If the local government will be required to have a bond election or create a SID/RID, and it has not yet taken place. Due to the uncertainty of being able to pass a bond election or create a SID/RID, the score level will be less likely to be reduced if the local government can strongly demonstrate that it will likely be able to pass the bond election or create the

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SID/RID. Simply showing strong support for the creation of a district does not satisfy this requirement.

- ❑ If the applicant is intending to use an SRF loan, or a STAG or WRDA grant, and is not listed on the SRF Priority List.
- ❑ If an applicant that is intending to obtain a STAG or WRDA grant has not provided documentation that the grant has been obtained or has a strong likelihood of being obtained. Having secured the grant in advance of applying to TSEP will ensure the maximum number of points possible.
- ❑ If grant amounts appear to be unreasonable. The applicant should provide documentation that the amount requested is within the limitations of the program.
- ❑ If the applicant has not adequately demonstrated that the project can proceed forward if a particular grant is not obtained. In order to receive the maximum number of points possible, the applicant must provide a reasonable alternate funding scenario that would ensure that the project can proceed in the event a particular grant is not received. If the alternative funding scenario requires an increase in the loan amount, applicants must also demonstrate that residents would still support the project if the alternative funding scenario must be used.

An applicant will not be scored down if it chooses not to include a particular source of funding as part of the financial package, as long as it is adequately discussed and there is reasonable justification for not pursuing the grant or loan. The following funding programs must be discussed: RRGL, CDBG, and RD grants, and SRF and RD loans.

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Level 1 The applicant did not demonstrate that the project would enable the local government to obtain funds from sources other than TSEP. The funding package for the proposed project does not appear to be reasonable or viable, since there are major obstacles that could hinder the applicant from obtaining the funds from the proposed funding sources.

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❑ This level will be assigned when the applicant does not submit the required financial information that would allow the TSEP staff to adequately evaluate the funding package.

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❑ This level is also assigned if the funding package does not appear to be viable and it is unclear how the project could move forward.

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Level 2 The applicant inadequately demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated limited efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project appears to have problems and may not be viable. There are potentially major obstacles that would hinder the applicant from obtaining the funds from the proposed funding sources.

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- ❑ This level will be assigned when the applicant's efforts to examine appropriate funding sources was grossly inadequate, and/or the funding package for the proposed project appears to have numerous potential problems that could affect its viability.

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Level 3 The applicant sufficiently demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources.

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- ❑ This level will be assigned when the applicant appears to have a potentially viable funding package, but has not thoroughly examined all of the appropriate funding sources.

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Level 4 The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources.

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- ❑ This level will be assigned when the applicant has documented that it has thoroughly examined all of the appropriate funding sources, and appears to have a viable funding package.

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Level 5 The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

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- ❑ This level will be assigned when the applicant has documented that it has thoroughly examined all of the appropriate funding sources, appears to have a potentially viable funding package, and it appears that the TSEP funds are vital to the proposed project moving forward. TSEP funding might be considered critical to the project if there are no other reasonable grants or loan sources

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available to help finance the project. Loans would be considered a reasonable alternative if projected user rates without TSEP funds would still be less than 150% of the target rate.

Statutory Priority #6 - Projects that provide long-term, full-time job opportunities for Montanans, or that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintain or that encourage expansion of the tax base.

General Scoring Notes Related To Statutory Priority #6

The score level for Statutory Priority #6 will likely be reduced under the following situations:

- ☐ If the applicant has not adequately demonstrated that the creation of specific jobs or business expansion is dependent upon the proposed improvements. There must be a direct link. If the increase in jobs or business expansion could or will occur without the proposed improvements, there would be no direct connection between the TSEP project and the job creation or business expansion.
- ☐ If the applicant has not provided reasonable documentation demonstrating the intent of a particular business to expand or increase the number of jobs. Business plans, letters of intent, and documented testimony are ways to document intent.
- ☐ If documentation is not provided, or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the application, documentation must be provided.

Level 1 The applicant did not demonstrate that the proposed project is necessary for economic development. The proposed project represents a general infrastructure improvement to an area that is residential only, and it does not appear to be necessary for providing any job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

- ☐ This level will be assigned when only residential areas are affected and there is no reasonable potential for economic development other than home-based businesses that do not require the improvements to be made in order to continue to operate or to start-up. (If the improvements are required in order for home-based businesses to continue to operate or to start-up, they must be permitted uses within the residential development. Applicants must clearly demonstrate the necessity for the improvements. These situations will be scored at one of the higher levels based on the specifics of the situation.)

Level 2 The applicant sufficiently demonstrated that the proposed project represents a

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general infrastructure improvement that would indirectly increase business and job opportunities (or provide the infrastructure needed for housing that is necessary for an expanding workforce related to a specific business development). The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the (type) system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

- ❑ This level will be assigned when both residential and commercial areas would be indirectly benefited, because the project would not directly benefit any specific businesses or directly result in the retention or creation of new jobs.

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Level 3 The applicant sufficiently demonstrated that the proposed project is necessary for a specific economic development project. The applicant cited a specific business that would be dependent on the proposed improvements being made and provided reasonable documentation showing that the business owner intends to proceed with the business expansion. If it occurs, the business expansion would likely provide specific long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the (type) system. The proposed project would likely add to the tax base if the business expansion occurs.

- ❑ This level will be assigned when a specific business expansion is dependent on the proposed project, and there is reasonable documentation from the business owner demonstrating the intent of the business owner to proceed.

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Level 4 The applicant strongly demonstrated that the proposed project is necessary for a specific economic development project to proceed. The applicant cited a specific business that would be dependent on the proposed improvements being made, and provided sufficient documentation from the business owner of the intent to proceed with the business expansion. However, the applicant did not provide the detailed documentation, such as a business plan, that would demonstrate the viability of the business. The business expansion would likely provide specific long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the (type) system. The proposed project would likely add to the tax base.

- ❑ This level will be assigned when a specific business expansion is dependent on the proposed project, and there is detailed information from the business owner strongly demonstrating that business expansion would occur resulting in numerous new jobs.

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Level 5 The applicant conclusively demonstrated that the proposed project is necessary for a specific economic development project to proceed. The proposed project is necessary to provide the infrastructure necessary for a business that has a high potential for financial success and that would provide long-term, full-time job

opportunities for Montanans. The applicant provided business plans describing the expansion of a business(es) and provided documentation supporting the probable creation or retention of long-term, full-time jobs. The business plan persuasively demonstrated the viability of the business proposal. The proposed project would add to the tax base.

- This level will be assigned when the project would directly and unquestionably result in business expansion that creates numerous new jobs. The business expansion must be clearly dependent upon the proposed project. The viability of the business proposal has been clearly demonstrated by the submittal of a complete business plan.

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Statutory Priority #7 - Projects that are high local priorities and have strong community support.

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General Scoring Notes Related To Statutory Priority #7

▲ The score level for Statutory Priority #7 will likely be reduced under the following situations:

- If documentation is not provided, or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the application, documentation is required.
- If an RSID/county-operated system has not yet been legally formed as a county water and sewer district.
- If the applicant did not adequately demonstrate that at least one hearing was held, the hearing was adequately noticed, or that people were adequately informed about the cost of the project and the impact on users rates.
- If the applicant did not adequately demonstrate that residential users are in support of the project. Support for the project can be demonstrated by numerous letters from the general public, petitions signed by area residents, or minutes from a public meeting clearly demonstrating that a large number of residents are in support of the proposed project. In order to receive maximum credit, applicants must show that residents are in support of the project under the various funding scenarios, and not just in support of applying for grants or that they are in support of the project, if they can obtain all of the grants that are proposed.
- If the applicant did not adequately demonstrate that the project is a high local priority. County water and sewer districts should include information related to the county's CIP to obtain full credit toward this requirement.

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Level 1 The applicant did not demonstrate that the proposed project is a high priority or has the support of the community. The applicant's efforts to inform the public about the project were grossly inadequate.

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- ❑ This level will be assigned when an applicant that has not documented that it held a public meeting within the 12 months prior to submitting the application, or taken other actions to adequately inform the public about the project.
- ❑ This level will be assigned if it appears that there is little evidence of public support for the project. This may be demonstrated by a high percent of the applicant's constituency being against the project, or when the public has clearly stated that the proposed user rates would not be acceptable.

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Level 2 The applicant inadequately demonstrated that the proposed project is a high priority and has the support of the community. The applicant documented that it held a public hearing or meeting (or the public was reasonably informed about the proposed project in a timely manner), but did not inform the community about the cost of the project and the impact on user rates.

- ❑ This level will be assigned when applicants that held a meeting about the proposed project, but did not adequately document that it informed the public about the estimated costs of the proposed project and the impact per household.
- ❑ This level will be assigned if the public meeting was inadequately advertised in order to ensure that residents would have a reasonable opportunity to be in attendance at the public meeting.
- ❑ This level will be assigned when a public meeting is not held, but the applicant has adequately demonstrated that the public has been reasonably informed about the proposed project.
- ❑ This level will be assigned if it appears that there is limited public support for the project; numerous people are against the project and could potentially cause the project to not move forward.

Level 3 The applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The applicant documented that it held at least one public hearing or meeting, and has sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household.

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- ❑ This level will be assigned when an applicant that has documented that it held at least one adequately noticed public meeting to inform the public about the proposed project and its estimated impact to user rates per household, and solicited comments from the public. These actions are also required to obtain a Level 4 or 5 score.

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Level 4 The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project.

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- ❑ This level will be assigned only if the applicant provided multiple opportunities to learn about and comment on the proposed project.

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- ❑ This level will be assigned only if the applicant has adequately demonstrated that: residential users are clearly and strongly in support of the project, or that the local needs have been reasonably prioritized and the proposed project is a high local priority.

Level 5 The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

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- ❑ This level will be assigned only if the applicant provided multiple opportunities to learn about and comment on the proposed project.
- ❑ This level will be assigned only if the applicant has adequately demonstrated both support for the project and that it is a high local priority. Residential users must be clearly and strongly in support of the project. Local needs have been reasonably prioritized and the proposed project is a high local priority.

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E. STEP II - FINANCIAL ASSISTANCE ANALYSIS

During the original legislative discussion of TSEP, many legislators stated that TSEP applicants should make the maximum effort to pay for local public facility projects with their own resources before they ask the State to subsidize a local project. There was also a strong agreement among local officials and legislators that participated in the public hearings on the original TSEP program that communities should participate in the funding of any public facility project in proportion to their financial resources. In response to this consensus, the policy established by MDOC in 1993, and supported by the Governor and the Legislature since then, has been that TSEP grants should not be awarded unless the applicant is contributing a reasonable amount towards the financing of the project.

The major challenge is to try to define a "reasonable amount." The methodology used by MDOC utilizes a variety of financial indicators for analyzing local financial capability as suggested by local officials. The financial indicators are used to analyze whether an applicant is contributing a reasonable amount towards the financing of the project or whether the applicant could fund additional debt capacity from a loan or bond financing from another source that would provide feasible and affordable financing for the project. None of the indicators viewed individually may give a clear picture of the applicant's need for TSEP assistance. However, when taken together, they do provide a reasonable and consistent basis for evaluating the overall financial capacity of each applicant. This financial analysis is used to ensure that applicants are funding their fair share of the project.

The target rate methodology used in the financial analysis for water, wastewater and solid waste projects has been developed over a period of many years, and is used in various forms by all of the Montana public facility funding agencies. Since there was no comparable methodology for bridge projects, a financial analysis was developed in 1997. That methodology was used during the last four cycles, but in 2004, the TSEP staff decided that it was not accomplishing its intended purpose.

After meetings with the Montana Association of Counties, the basis for a new methodology was formulated. This new methodology will be refined over the next couple of cycles.

Water, Wastewater and Solid Waste Projects

For water, wastewater, solid waste, and other projects funded by user fees, calculations are performed, based on rate and system information supplied by applicants, to determine if the applicant will be above or below its "target rate." The financial analysis is based on the combined user fees of water and wastewater systems within the applicant's jurisdiction, or on the user fees of the system for which funds are requested, if the applicant has only one type of system. The analysis for solid waste systems is based on the user rates for that system alone. Applicants with proposed water, wastewater, or solid waste projects with user fees should carefully review Appendix E, which explains the concept of target rate analysis.

If an applicant's actual rates, after implementation of the TSEP project, would be less than the target rate, the next step is to determine the amount of additional funds that the applicant has the ability to borrow for the project in place of TSEP grant funds. In other words, the analysis looks at whether the applicant has unused debt capacity which could be substituted for all or some of the requested TSEP grant. If it can be reasonably concluded that an applicant has some capacity to borrow additional funds, the TSEP staff subtracts the amount of borrowing capacity from the grant request to determine the amount of the recommended TSEP grant award, if any. **In accordance with a policy established by the Legislature's Long-Range Planning Subcommittee, the applicant's projected rates, after implementation of the TSEP project, must be at or above the target rate to be recommended for and awarded a grant.** If the applicant has sufficient debt capacity to finance the amount requested from TSEP such that the resulting increased user fees would be below the target rate, MDOC will not recommend grant funding for the applicant. In the event an applicant has unique constraints on its capacity to incur debt for the system, which would prevent it from reaching the recommended target rate, it should provide documentation from a recognized bonding firm, bond counsel, or qualified financial consultant to substantiate the limitation on its borrowing capacity.

In summary, in order for a water, wastewater, or solid waste, type project to potentially receive a recommendation for a TSEP grant, the applicant must demonstrate that the proposed user rates for their communities would be at or above the target rate.

The use of target rates may not be applicable to certain projects such as an economic development related project that will be paid for by the businesses that are to be served by the project. In those cases, a "financial gap" analysis will be conducted to determine if TSEP funds are truly required to make the project work.

Applicants can obtain their target rate using the Internet by going to:

<http://commerce.mt.gov/CDD/search.asp>

If the applicant does not have access to the Internet,

the TSEP staff can provide the information.

Bridge Projects

For bridge projects, the financial analysis is based on the applicants' access to funds through taxes and other sources that could potentially be used to fund bridge projects. The amount of potential funding will be measured against the number of bridges that the county is responsible for maintaining.

APPENDIX E

TARGET RATE ANALYSIS FOR WATER, WASTEWATER AND SOLID WASTE PROJECTS

County Water and Sewer Districts, projects that will benefit only a small, defined area of a city or town, tribal governments, and communities that have undergone dramatic demographic or economic changes since the 2000 Census, should read the notes at the end of this appendix.

“Target rate analysis” is a key part of the financial assessment for water, wastewater and solid waste projects. It is used by MDOC to help determine the amount of grant funds a community needs to keep its user rates, resulting from a proposed improvement to a water, wastewater, or solid waste project, at a reasonably affordable level for its citizens relative to other communities. The idea of “target rates” is based on the concept that the ability of a community, as a whole, to pay a particular user rate is related to the overall median household income level in the community, and that communities with higher median household incomes can afford higher rates than those with lower median household incomes.

MDOC conducts a survey of user rates charged by selected water, wastewater, and solid waste systems around Montana every ten years, when new U.S. Census data is available, for the purpose of computing new “target percentages.” The target percentage is multiplied times a community’s median household income (MHI) in order to compute its target rate. The systems selected for the survey are typically those that have had improvements made in recent years, are currently operating in compliance with state and federal regulations, and are charging user fees that adequately support the cost of operating the system. The systems’ average user rates are compared to the communities’ MHI obtained from the new Census data. The resulting ratios from these surveyed systems are averaged and the target percentage computed, which is then used to compute target rates for ten years until new Census data is available.

MDOC utilizes the combined rates for both water and wastewater systems in its target rate analysis. This helps to ensure that an applicant’s need for financial assistance is not understated if either of the systems have high rates, even though the other system may have relatively low rates. For communities with only a water system, or a wastewater system, but not both, only the target rate for that system will be used. Storm drain projects are computed as if they were a part of the wastewater system. Target rate analysis of solid waste systems will consider rates for that service alone.

A community’s target rate is computed by multiplying the community’s MHI by the combined target percentage (2.3%) to measure residential households ability to pay combined water and wastewater rates (1.4% for water systems plus .9% for wastewater systems equals 2.3%). For communities with only one system, 1.4% will be used for water systems and .9% will be used for wastewater systems. A community’s target rate for a solid waste system is computed by multiplying the community’s MHI by the target percentage (.3%) to measure residential households ability to pay solid waste rates.

For example, if a community had an annual MHI of \$30,000, this figure is multiplied by 2.3%. The sum is then divided by twelve months to determine the community's combined monthly target rate (for water and wastewater) of \$57.50 per month ($\$30,000 \times 2.3\% = \690.00 divided by 12 months = \$57.50 per month). If a community only has a water system and no wastewater system, the target rate would be \$35.00 per month ($\$30,000 \times 1.4\% = \420.00 divided by 12 months). If a community only has a wastewater system and no water system, the target rate would be \$22.50 per month ($\$30,000 \times 0.9\% = \270.00 divided by 12 months).

In past years, MDOC multiplied the community's target percentage times a multiplier that reduced the actual target rate. Since the target percentages are an average of what other communities in Montana pay for these services, MDOC has decided to no longer reduce the target rate based on a multiplier, in order to more accurately reflect what communities are actually paying and applicants should be expected to pay.

Example of Target Rate Analysis: With and Without TSEP Assistance

The following example illustrates the target rate concept applied to a hypothetical community. The Rivers Edge Water and Sewer District, which serves 492 households, is in violation of the Federal Safe Drinking Water Act because of various contaminants. The District plans to make several improvements to the water storage and distribution system. Residents are already paying \$15.25 per month to pay for an existing loan for a previous project to improve their wastewater system, plus operating and maintenance costs of \$10 per month for the water and wastewater systems. The District does not have the borrowing capacity to fund the necessary improvements without TSEP assistance and is requesting a TSEP grant in the amount of \$500,000. The District's combined target rate is approximately \$57.50 per month per household. ($\$30,000$ MHI multiplied by .023, divided by 12 months).

The following assumptions are made for the example below:

- Included in the user rates of the proposed debt are: \$15,000 for costs of issuance; 10% debt service reserve; and 25% debt service coverage costs of the annual debt service payment.
- The "Cost of Issuance" includes bond counsel, financial advisor, official statement printing, bond sale advertisement, and bond printing.

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In order to compensate for the inability to adjust target rates on a more frequent basis, and to lessen the degree to which target rates increase every ten years, the "multiplier" increases by 2% every two years. In 2006 the target percentage will be multip...

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EXAMPLE WITHOUT TSEP ASSISTANCE

Estimated Project Cost	\$2,380,000
Cost of Bond Issuance	<u>+\$ 15,000</u>
	\$2,395,000
Reserve Required	<u>x 1.10</u>
Total Financial Need	\$2,634,500

Interest Rate:	5%
Term:	20 Years
Base Annual Debt Service:	\$208,652
Debt Service Coverage:	<u>x 1.25</u>
Total Annual Debt Service	\$260,816

\$260,816 / 12 months / 492 users = \$44.18 projected monthly user rate increase to finance new water system improvements.

\$44.18 projected rate + \$15.25 existing debt + \$10.00 projected operating and maintenance costs (water and wastewater system) = \$69.43 total monthly user rate.

Without a TSEP grant, the combined water and wastewater rates would be \$69.43 per month per household, which is considerably above the target rate of \$57.50 month per household (120% of target rate). Without a TSEP grant, local residents will pay an additional \$111 per household per year. This community clearly needs TSEP assistance to make the project more affordable.

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EXAMPLE WITH TSEP ASSISTANCE

Estimated Project Cost	\$ 2,380,000
TSEP Grant	<u>- \$ 500,000</u>
Financing Need	\$ 1,880,000
Cost of Bond Issuance	<u>\$ 15,000</u>
	\$ 1,895,000
Reserve Required	<u>x 1.10</u>
Total Financial Need	\$ 2,084,500
Interest Rate:	5%
Term:	20 years
Base Annual Debt Service:	\$ 165,092
Debt Service Coverage:	<u>x 1.25</u>
Total Annual Debt Service	\$ 206,366

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\$206,366 / 12 months / 492 users = \$34.95 projected monthly user rate increase to finance new water system improvements.

\$34.95 projected rate + \$15.25 existing debt + \$10.00 projected operating and maintenance costs (water and wastewater system) = \$60.20 total monthly user rate.

With the TSEP grant, the combined water and wastewater rates would be \$60.20 per month per household, which is still above the target rate of ~~\$57.50~~ per month per household (~~105%~~ of target rate). Therefore, a TSEP grant would be recommended, since this community needs a TSEP grant to keep the project reasonably affordable. A chart on page 60 graphically represents Community A's need for a TSEP grant. Without a TSEP grant, the combined water and wastewater rates would be considerably above the target affordable combined rate, and the project may not be reasonably affordable for local residents to build. Even with the TSEP grant, the combined water and wastewater rates would be above the target rate, however, the project should be more reasonably affordable for local residents.

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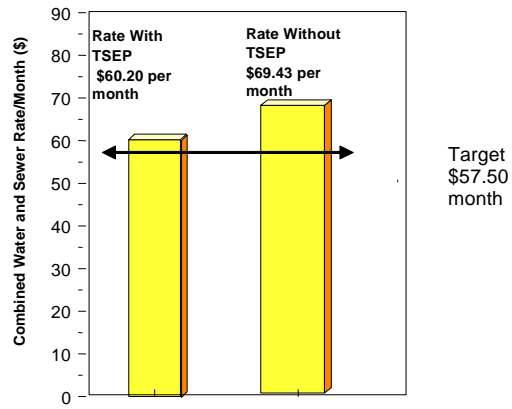
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For comparison, a second community's financial situation is presented on the bottom of the chart. Community B, which has the same number of system users, current debt and projected O&M as Community A, is planning to do the same project. However, Community B has an MHI of \$42,000, which results in a target rate of ~~\$80.50~~. As a result, Community B can complete the project without a TSEP grant, because its combined monthly water and sewer rates upon completion of the proposed project would still be below the target rate. Therefore, a TSEP grant would not be recommended for Community B.

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In order to determine whether a proposed project would be recommended for a TSEP grant, a financial analysis must be completed to determine whether the projected user rates, upon completion of the project, would be above or below the target rate. Based on this analysis, applicants must propose a financial package that ensures that their projected user rates are ~~at or above the target rate, so as to qualify for a TSEP grant.~~

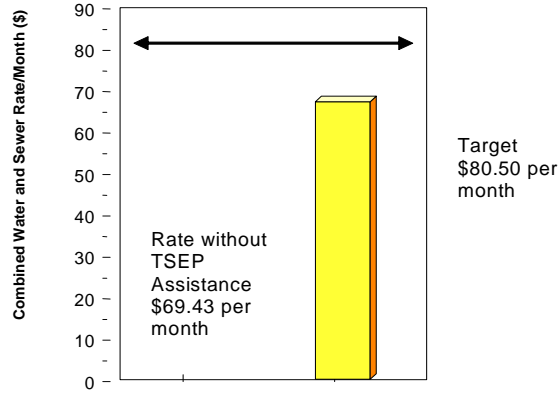
COMMUNITY A



Median Household Income	\$30,000
Target	\$57.50
Rate with TSEP grant	\$60.20
Rate without TSEP grant	\$69.43

A TSEP grant is recommended for Community A since it is above the target rate.

COMMUNITY B



Median Household Income	\$42,000
Target	\$80.50
Rate without TSEP grant	\$69.43

A TSEP grant is not recommended for Community B since it is below the target rate.

Calculating “Target Rates” For Districts and Small Project Areas Within Cities

Cities, towns and counties, and some county water and sewer districts that have been designated as a census designated place, have statistics already prepared as part of the process of preparing the census. For other county water and sewer districts there is no census data currently available and a census study is required. In addition, some proposed projects only provide improvements to a small portion of the city, and the cost of the project is paid for by those benefiting from the project through special improvement district (SID) assessments on their property. This situation also requires a census study in order to obtain census data for just the project area as compared to using the census data for the entire jurisdiction of the applicant.

Upon request, the TSEP staff will compute the Median Household Income (MHI), Low to Moderate Income (LMI) and Poverty Income statistics for the project area, and compute the target rate for the project area. Potential applicants will need to provide a map clearly showing the boundaries of the project area along with any other references, such as roads and rivers that would help to locate the project area on the census maps.

When a census study is required, TSEP will compute the MHI, LMI and Poverty statistics by using data for the smallest geographical census area that encompasses the proposed project area. However, the TSEP staff sometimes has to use census data that includes statistics for areas outside of the boundaries of the district or project area, because that is the smallest geographical area delineated by the U.S. Census Bureau to obtain the data. The inclusion of these additional households from outside of the boundaries of the project area can sometimes adversely affect the income data, and more importantly, elevate the target rate.

In order to eliminate these additional households from the target rate computation, applicants are allowed to conduct an income survey in order to establish more accurate income figures. See Appendix H for more information on conducting an income study.

Note For Tribal Governments: An equivalent amount to a user fee will be used in the target rate analysis for tribal governments applying to TSEP if individual users are not assessed fees. Subsidization by the tribe is viewed as equal to user fees paid by individuals in typical municipal systems. The equivalent amount will be based on the tribe's cost to finance the improvements, repay any existing system debt, and operate and maintain the system divided by the number of households that are served by the system. The equivalent amount will then be compared to the applicant's target rate. Other appropriate methodologies as determined by the Department may be used as needed by the TSEP staff to determine financial need for tribal governments.

Communities That Have Undergone Dramatic Demographic Or Economic Changes

Some communities may have undergone dramatic demographic or economic changes since the 2000 Census information was obtained. A major industry, such as a lumber mill or a mine, may have closed. In a small community the mill or the mine may have been the major employer. The impact of the closing may have resulted in dramatic economic changes for the community. It would mean a loss of jobs, which are typically higher paying jobs, potentially a loss of population as families move to find new jobs, and probably less spending in the retail and service sectors of the local economy. The combined effect of these changes may have resulted in a significantly lower median household income, a higher percentage of low to moderate-income households, and higher percentage of poverty households.

Under these conditions, an applicant may conduct an income survey in order to establish more current income figures. See Appendix H for more information on conducting an income study.

Because of the importance of “target rate analysis” in the ranking of TSEP applications for water, wastewater and solid waste projects, applicants should contact the TSEP staff in order to have their target rates calculated or verified in order to ensure that the correct target rate is being used.

If the proposed user rates would be below the target rate, after preparing a preliminary financial package to construct the proposed project, applicants should discuss their proposed projects with MDOC staff. **Grant funding will not be recommended for projects that would result in user charges below the target rate.**

To obtain the specific census data and target rates, for census designated places (cities and towns, county water and sewer districts, and counties), using the Internet, go to:
<http://commerce.mt.gov/CDD/search.asp>

If you do not have access to the Internet, the TSEP staff can provide the information by calling 841-2770.

APPENDIX F

TSEP PRELIMINARY ENGINEERING GRANT APPLICATION FORM

Applicant Information:

1. Name of Applicant: _____

2. Type of Governmental Entity: _____
(Incorporated Municipality, County, Tribal Government, County Water/Sewer District, Solid Waste District, Etc.)

3. Federal Tax Identification Number: _____

4. Contact Person: Name: _____

Title: _____

Name of Firm: (if applicable) _____

Street/P.O. Box: _____

City/State/Zip: _____

Telephone/Fax Numbers: _____

Email address: _____

Proposed Budget:

	SOURCE: <i>TSEP Grant</i>	SOURCE:	SOURCE:	TOTAL
Engineering Services				

Proposed Implementation Schedule:

Estimated Start Date of Preliminary Engineering: _____

Estimated Completion Date of Preliminary Engineering: _____

Attach a proposed preliminary engineering implementation schedule. This schedule should include the major milestones associated with the study including field activities, draft report preparation and review, and final report preparation and submittal (see Attachment 1).

Proposed Project Description:

A brief description of the project that is being proposed for construction after the preliminary engineering is completed, and the proposed activities and work schedule in completing the preliminary engineering:

1. the type of project
2. the project location,
3. a brief history of the system, and its known or presumed deficiencies,
4. any related compliance issues,
5. any alternatives that are being considered at the time of this application, and
6. activities that will take place (including the process to be used to procure an engineer) and products produced.

Applicants are encouraged to attach pertinent supporting documentation, such as a letter from the Montana Department of Environmental Quality or County Sanitarian documenting the seriousness of a public health or safety threat existing in a community.

Required Attachments:

1. Documentation showing the legal creation of the district (if a County Water and Sewer District),
2. Documentation (i.e. resolution) showing the commitment of matching funds, and
3. Proposed Preliminary Engineering Implementation Schedule.

Authorizing Statement:

I hereby declare that the information included in, and all attachments to, this application is true, complete, and accurate to the best of my knowledge. I further declare that, on behalf of _____ (Applicant), I am legally authorized to enter into an agreement with the Montana Department of Commerce if a TSEP grant is awarded. I further declare that if a TSEP grant is awarded, the grant will be used to prepare:

- 1) a Preliminary Engineering Report (PER) that follows the format and meets the requirements of the *Uniform Preliminary Engineering Analysis for Montana Public Facility Projects* outline and**

- 2) a completed Uniform Environmental Checklist, which will become an attachment to the PER.

I understand that MDOC will only review the final PER in an attempt to ensure that the information presented in the PER meets the basic requirements of the *Uniform Preliminary Engineering Analysis for Montana Public Facility Projects* outline, and that MDOC will not certify the quality of the PER. I further understand that the review and approval of the content of the PER by MDOC, does not guarantee that a subsequent application to TSEP for a construction project would result in the maximum number of points being assigned in the scoring of the engineering problem or design during the TSEP ranking process.

Signature

Date

Title

ATTACHMENT 1**PRELIMINARY ENGINEERING IMPLEMENTATION SCHEDULE**

TASK	MONTH / YEAR
ADVERTISEMENT FOR ENGINEERING SERVICES	
Submit RFP to MDOC for approval	
Publish RFP	
Select engineering firm	
Execute agreement with engineer firm	
MAJOR PRELIMINARY ENGINEERING ACTIVITIES/MILESTONES	
TSEP Drawdowns	
Submit draft report and request first drawdown of funds	
Submit final report and request final drawdown of funds	

APPENDIX G

EMERGENCY GRANT REVIEW FORM

Applicant and Project Information:

Date Request is Received:

Applicant:

Address:

Contact Person and Telephone Number:

Nature of Emergency:

Proposed Project:

Estimated Total Cost of Project:

Itemize the proposed expenditures:

Amount of TSEP Funds Requested:

Review of Request:

1. Is the applicant eligible to apply for TSEP funding? Yes ☐ No ☐
2. Is the proposed project eligible for funding? Yes ☐ No ☐
3. Is the grant necessary to remedy a condition(s) that if allowed to continue until legislative approval could be obtained would endanger the public health or safety and expose the applicant to substantial financial risk? Yes ☐ No ☐

Details:

4. Can the implementation of reasonable management practices forestall the risks to health or safety until legislative approval can be obtained? Yes ☐ No ☐

Details:

5. Is all of the proposed emergency project critical to the proper operation of a system? Yes ☐ No ☐

Details:

6. Is any proposed funding to be used for preventive maintenance or to provide a backup to an existing system component? Yes ☐ No ☐

Details:

7. Are all of the proposed expenditures essential to resolving the emergency and necessary for completing the proposed emergency project? Yes ☐ No ☐

Details:

8. Will any further actions beyond what has been proposed be necessary to fully resolve the emergency? Yes ☐ No ☐

Details:

9. Has the applicant contributed as much financial and other resources as possible towards completing the proposed emergency project? Yes ☐ No ☐

Details:

10. Is funding available from any other source, including the sponsor? Yes ☐ No ☐

Details:

Site Visit:

Date:

State Agency Person Conducting Site Visit:

Contact Person and Telephone Number:

Brief Summary of Visit:

Conclusions:

Reviewer Recommendation:

Richard Knatterud, P.E.
TSEP Engineer

Date

Concurrence:

Concur _____

Do Not Concur _____

Concur with the Following Modifications:

Jim Edgcomb, Manager
Treasure State Endowment Program

Date

Concurrence:

Concur _____

Do Not Concur _____

Concur with the Following Modifications:

David Cole, Division Administrator
Community Development Division

Date

Approval:

Approved _____

Not Approved _____

Anthony J. Preite, Director
Department of Commerce

Date

APPENDIX H

CONDUCTING AN INCOME SURVEY

Because the U.S. Census is taken only once every ten years, and significant economic and demographic changes can occur in a community during that time, TSEP applicants are allowed to conduct an income survey in order to collect and revise the income figures for the community. Another reason for conducting an income survey might be because there are numerous other households included in the census data, but they are not included within the area served by the water, wastewater, or solid waste system. These additional households can potentially cause the income figures to be considerably higher than they would be if they were not included.

However, unlike other programs that allow income surveys to simply demonstrate that an applicant meets eligibility requirements, TSEP will need actual income figures to calculate new income data (the median household income [MHI], the percent of households that are low to moderate income [LMI], and the percent of households below poverty level) and calculate the target rate for the applicant. As a result, the applicant will need to survey households in order to obtain the actual amount of the household income.

An income survey should not be attempted unless absolutely necessary, since people are extremely reluctant to provide their actual household income. As a result, it is particularly important for the applicant to have an effective public participation process and a clear acceptance of the project by the community in order to achieve a successful income survey. The applicant should have a reasonable belief that people are willing to provide this information before beginning the income survey process, due to the time and expense involved in conducting the survey.

People are more likely to respond to an income survey if they know there is a good reason for the survey. If the community survey is well publicized, there will be a minimum of lost time in explanations and a more favorable response by the public. Under no circumstances should an income survey be attempted without wide publicity first. Citizens are understandably hesitant to provide personal income information unless the purpose and need for the information is clearly understood. A short cover letter with a mailed questionnaire will let people know why the information is important. You also need to assure citizens that their income information will be kept confidential and will only be used to apply for the grant. Complete honesty with the public and cooperation with and from the media can make a difference between success and failure. Publicity can include radio announcements or call-in talk programs, newspaper articles, flyers in the monthly water bill, and posters in local grocery stores or the post office.

A. Sample Size

MDOC uses a formula that sets a "minimum sample size" for the survey (i.e., the minimum number of returned completed survey forms needed to have a valid and acceptable income survey). A "sample" is the portion of the total population, in this case households, that is surveyed. The total population may be a neighborhood, a county water and sewer district, or a town or county that is served by a public facility. The total population from which the sample is taken will be the population

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Because the U.S. Census is taken only once every ten years, and significant economic and demographic changes can occur in a community during that time, TSEP applicants are allowed to conduct an income survey in order to collect and revise the income figures for the community. Another reason for conducting an income survey might be because there are numerous other households included in the census data, but they are not included within the area served by the water, wastewater, or solid waste system. These additional households can potentially cause the income figures to be considerably higher than they would be if they were not included. ¶

¶

However, unlike other programs that allow income surveys to simply demonstrate that an applicant meets eligibility requirements, TSEP will need actual income figures to calculate new income data (the median household income [MHI], the percent of households that are low to moderate income [LMI], and the percent of households below poverty level) and calculate the target rate for the applicant. As a result, the applicant will need to survey households in order to obtain the actual amount of the household income. ¶

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An income survey should not be attempted unless absolutely necessary, since people are extremely reluctant to provide their household income. As a result, it is particularly important for the applicant to have an effective public participation process and a cl... [69]

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of the area that is served by the TSEP-funded project. For example, if a community has 1,000 households it could be very time-consuming and expensive to interview every single household, especially if done on a door-to-door basis. In these cases, it may be more efficient to survey a portion of the households and use that portion to represent a cross section of the entire community – as long as the required minimum number of completed surveys is returned.

To be reasonably certain that the sample (the number of surveys returned) is a statistically valid representation of the entire population, it must include a minimum number of households, which varies according to the size of the total population. To continue the example above, if the community surveyed only 50 out of the 1,000 households, there would be a good chance that many of those 50 are not representative of the entire community. This might be especially true if all 50 were selected from a specific neighborhood, instead of randomly throughout the community. There are many complex formulas for determining how large a return sample size (i.e., the number of returned survey forms) you must have in order to be reasonably confident that the sample accurately reflects your population.

The formula used by TSEP (as shown below) is relatively simple and has been used by the Community Development Block Grant Program for many years:

$$\text{Required minimum number of returned surveys} = \frac{.25}{.000625 + .25} \times \frac{.25}{\text{population size}} = \text{minimum survey return size}$$

However, when the total number of households in the project area is 200 or less, TSEP requires a minimum return rate of at least 67% of the surveys.

It is important to remember that the minimum survey return size in this formula means the number of actual survey responses received and properly completed (not just the number of households contacted). The returned completed surveys must meet the minimum number required by the formula to have a valid and acceptable income survey.

Example of how to use the formula: Assume your community has 1,000 households as in the previous example. Using the formula above, the minimum number of surveys that must be completed and returned for a valid income survey would be 286 (your minimum sample size), and would be calculated as follows:

$$\frac{.25}{.000625 + .25} \times \frac{.25}{1000} = \frac{.25}{.000625 + .000250} \times \frac{.25}{.000875} = 286 \text{ (Required minimum number of returned surveys)}$$

There will always be some households that do not choose to respond, and that being the case, the community should be prepared to make additional efforts, such as a follow-up mailing or more door-to-door interviews, until it has an adequate number of responses. Another way to deal with non-response is to over sample -- if you need 250 surveys returned for a statistically valid sample, try to interview or mail surveys to 400 households.

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Most communities choose to survey all local households through mailed surveys. If you are not surveying all households, the households to be surveyed must be chosen at random so that the results will not be biased. In other words, everyone who is included in the total population to be served by your project should have an equal chance of being included in the sample. However, if only a sample of the households is surveyed, the number of returned surveys must be representative of the entire project area. If there is a high percent of no returns from a particular area of the community, and the area not adequately represented appears to maybe have a higher MHI than other households in the project area, the survey results may not be accepted by TSEP.


Full-time Residents vs. Seasonal?

Some Montana communities have an influx of summer residents and workers, and sometimes ask if these should be included, in addition to permanent residents. You should survey only permanent households.

B. Survey Methodology

 Applicants must provide documentation that the survey was completed in accordance with the TSEP requirements. If the survey process used is not properly documented or fails to meet the TSEP requirements, the census data will be used instead of the results from the local income survey.

 You are strongly encouraged to send a *draft* of the proposed income survey form and the methodology to the TSEP staff *prior to conducting the survey* to make sure that the format and income figures to be used are correct and will meet TSEP requirements.

 An impartial, non-profit organization, such as a Human Resource Development Council (HRDC) must be used to conduct the survey.

There are some important survey requirements that must be adhered to, including:

❑ Rounding of incomes is not acceptable and will be grounds for TSEP not accepting the survey; actual incomes must be reported. Any incomes that appear to be rounded will not be accepted.

❑ It is also important that the survey format allow for verification by TSEP of a household's income at a later date if required. This means that **each survey form should be coded numerically** to be able to match a completed survey with the responding household. Prior to distribution, each form must have a survey identification number written on both parts of the form. We recommend that survey identification numbers be assigned randomly, so that residences next to each other do not have contiguous numbers. This helps to ensure confidentiality. On page 72 is a sample form for collecting the required information.

❑ The organization conducting the survey must ensure the confidentiality of the information

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collected. Controls should be setup in order to ensure that individuals involved in conducting the survey cannot identify any particular person's income. Both parts of the completed survey form should never be viewed at the same time.

☐ Surveys older than two years will not be accepted.

There are various ways to conduct the income survey, including:

1. Distribution of the questionnaire by mail, requesting mail return;
2. Distribution in public places or in the newspaper, requesting mail return;
3. Distribution door-to-door to be either returned by mail or picked up by someone; and
4. Direct door-to-door interviews by an individual surveyor.

If completed by other than door-to-door interviews, an envelope should be provided so that the top part of form can be kept separate from the bottom half. An attachment to the form, which explains what constitutes income for the household unit and must be provided to residences along with the form, is found on pages 73 and 74. On page 75 is a sample of a letter that the community might also want to include with the form to explain why and how the survey is being conducted.

The sealed envelope with the top part of form, along with the bottom portion of the form, should be placed in a locked ballot box when they are picked up. The envelopes and the bottom portion of the form should be kept separated once they have been collected. If at all possible, the same individual should not be allowed to view both parts of the form.

All of the responses to the survey, and any other information related to the survey, must be kept as part of the project records. Once the survey results have been tabulated, the top part of the form with information about incomes should be kept in a sealed envelope and marked such as "Income Survey Responses – Confidential Information – Do Not Open."

All of the information related to the survey will be reviewed as part of the monitoring of the project if the applicant is awarded TSEP funds. The responses to the survey may require verification if significant questions arise concerning the process used to conduct the survey. If the process used to conduct the survey, or the results of the survey, are determined to be suspect or questionable, TSEP may withhold funding and require that the process and results be reviewed by the next Legislature to determine if any grant awarded should be reduced or withdrawn.

C. Tabulating the Results of the Survey

Once the survey has been completed, the applicant will need to report the results of the survey by tabulating the information in a manner similar to the example provided on pages 76 and 77. The MHI is the income mid point between the highest and lowest income reported. If there is an even number of returned surveys, the MHI is determined by the average of the two incomes that are mid point between the highest and lowest income reported. The applicant will need to obtain LMI income thresholds for the county in order to compute the percent of households at or below the LMI

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income level. The TSEP staff can provide you with those thresholds. The income thresholds for Poverty are shown on page 78. The applicant is also required to provide a map, similar to the example provided on page 79, showing the residences that did not return the survey. Finally, the applicant is required to provide a narrative explaining the entire process of how the survey was conducted. These three items must be included as part of the application.

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The following information must be provided to MDOC when the application is submitted:

- The survey results showing incomes arrayed in order of amount, and other summary data about the results. See the example.
- A map showing where the households that did not respond are located. See example.
- A narrative explaining the entire process.

If the TSEP staff determines that there are problems with the survey that need to be fixed, the applicant will have a maximum of two weeks after being notified to provide the requested information to MDOC.

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All of the responses to the survey, and any other information related to the survey, must be kept as part of the project records. Once the survey results have been tabulated, the top part of the form with information about incomes should be kept in a sealed envelope and marked such as "Income Survey Responses – Confidential Information – Do Not Open." ¶

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INCOME SURVEY

“The total number of all persons in the household (not just wage earners 15 years old and over) is _____.”

“The total number of related children under 18 years in the household is _____.”

Household Income – includes the combined income of all persons 15 years old and over in the household, whether related or not. Taking into consideration this definition and those definitions included on the attached sheet:

“My (our) total gross household income for 2007 was \$_____.”

.....

REMOVE THIS PORTION OF THE FORM AND SUBMIT SEPARATELY

Survey #_____

NAME_____
(Please Print Clearly)

ADDRESS_____

“I certify that the income information I have provided is true and accurate to the best of my knowledge and belief. I agree to provide income verification if requested by state officials.”

SIGNATURE_____ **DATE**_____

INCOME DEFINITIONS

When determining your income the following types must be taken into consideration:

1. **Wage or Salary Income** — Includes total money earnings received for work performed as an employee during the calendar year 2007. It includes wages, salary, Armed Forces pay, commissions, tips, piece-rate payments, and cash bonuses, earned before deductions were made for taxes, bonds pensions, union dues, etc.
2. **Nonfarm Self-Employment Income** — Includes net money income (gross receipts minus expenses) from one's own business, professional enterprise, or partnership. Gross receipts include the value of all goods sold and services rendered. Expenses includes costs of goods purchased, rent, heat, light, power, depreciation charges, wages and salaries paid, business taxes (not personal income taxes).
3. **Farm Self-Employment Income** — Includes net money income (gross receipts minus operating expenses) from the operation of a farm by a person on his or her own account, as an owner, renter, or sharecropper. Gross receipts include the value of all products sold, government farm programs, money received from the rental of farm equipment to others, and incidental receipts from the sale of wood, sand, gravel, etc. Operating expenses include cost of feed, fertilizer, seed, and other farming supplies, cash wages paid to farmhands, depreciation charges, cash rent, interest on farm mortgages, farm building repairs, farm taxes (not State and Federal personal income taxes), etc. The value of fuel, food, or other farm products used for family living is not included as part of net income.
4. **Interest, Dividend, or Net Rental Income** — Includes interest on savings or bonds, dividends from stockholdings or membership in associations, net income from rental of property to others and receipts from boarders or lodgers, net royalties, and periodic payments from an estate or trust fund.
5. **Social Security Income** — Includes Social Security pensions and survivors benefits and permanent disability insurance payments made by the Social Security Administration prior to deductions for medical insurance, and railroad retirement insurance checks from the U.S. Government. Medicare reimbursements are not included.
6. **Public Assistance Income** — Includes: (1) supplementary security income payments made by Federal or State welfare agencies to low income persons who are aged (65 years old or over), blind or disabled; (2) aid to families with dependent children, and (3) general assistance. Separate payments received for hospitals or other medical care (vendor payments) are excluded from this item.
7. **Retirement or Disability Income** — Includes: (1) retirement pensions and survivor benefits from a former employer, labor union or Federal, State, county, or other governmental agency; (2) disability income from sources such as worker's compensation; companies or unions; Federal, State, or local government; and the U.S. military; (3)

periodic receipts from annuities and insurance; and (4) regular income from IRA and KEOGH plans.

8. ***All Other Income*** —Includes unemployment compensation, Veteran's Administration (VA) payments, alimony and child support, contributions received periodically from persons not living in the household, military family allotments, net gambling winnings, and other kinds of periodic income other than earnings.

Anywhere County Water and Sewer District

Dear Resident:

The District's board members recently discovered that the current Median Household Income (MHI) for Anywhere is \$40,000, which is based on the data collected during the 2000 Census. The MHI is the amount of household income above and below which the household incomes in our community are equally distributed. In other words, there are as many households with incomes above the MHI as there are below the MHI. The MHI is used by the state and federal funding agencies from which we will request grants and loans, to determine the amount of a grant or the interest rate on a loan.

However, the MHI was established by census data collected from not only residences within the District, but also from numerous households outside of the District's boundaries. Many of these homes are expensive and the board members feel that the household income of those families may be considerably higher than the average income in the District. (*An alternative statement might read – As you are aware, the Anywhere lumber mill closed down five years ago and the community has been economically depressed since that time. Many of the families within our community have had their incomes greatly reduced and several families were forced to leave to find work or higher paying jobs.*) As a result, the board members believe that the current or actual MHI is considerably lower than the one reported by the 2000 Census.

Based on the MHI reported by the 2000 Census, the District's monthly user rates would be significantly higher due to the amount of the loan that would be required to complete our proposed improvements to the water treatment plant. However, we have the option to conduct an income survey in order to collect more current income figures and revise our MHI and other income data used by those programs. For this reason you are being asked to provide your household income.

I cannot over emphasize the importance of your providing up to date income information. Without correct information, we will all be paying considerably higher monthly water bills as a result of the proposed project. A return of this survey that approaches 100% will help to avoid that possibility. Therefore, we find it necessary to ask you to complete the enclosed income survey and have it ready for pick-up within two days. An explanation of what constitutes income for the household is also included for your reference.

Once you have completed the enclosed form, separate the top part from the bottom, and put only the top of the form in the enclosed envelope. Both the envelope, and the bottom portion of the form that you signed, should be placed in the locked ballot box when it is picked up.

Please be assured that the information you have provided will be kept confidential. The two portions of the form will be kept separate from each other, so that the individuals tabulating the results will not have access to knowing the income of a specific household.

You can call me at xxx-xxxx if you have any questions.

Sincerely,

Jim Bob, Manager
Anywhere County Water and Sewer District

Anywhere Income Survey Results
March 2008

Survey ID Number	Total Household Income (\$)	Total Number of Persons in Household	Total Number of Related Children Under 18 in Household	Is Income at LMI Level	Is Income at Poverty Level
19	3,042	1	0	Y	Y
3	7,732	1	0	Y	Y
12	9,243	2	1	Y	Y
28	9,900	1	0	Y	N
7	12,100	1	0	Y	N
21	12,106	2	1	Y	N
26	12,996	2	0	Y	N
5	15,682	2	1	Y	N
10	15,836	1	0	N	N
30	17,103	4	2	Y	Y
2	20,000	2	1	N	N
9	20,463	1	0	N	N
29	21,000	1	0	N	N
24	21,870	2	0	N	N
1	22,560	3	2	N	N
14	23,193	5	3	Y	N
13	25,980	2	0	N	N
8	26,436	3	1	N	N
4	26,630	2	0	N	N
27	28,138	1	0	N	N
15	30,546	3	1	N	N
11	32,779	2	1	N	N
6	35,864	3	1	N	N
16	37,442	4	2	N	N
20	41,980	2	0	N	N
22	47,897	3	1	N	N
18	48,243	5	3	N	N
23	51,779	3	1	N	N
25	55,421	4	2	N	N
31	59,578	4	2	N	N
17	61,669	3	1	N	N

Surveys were distributed to 38 households. Thirty-one responses were received back for an 81.6% return rate. The seven surveys not returned were from households distributed throughout Anywhere as is shown on the attached map.

❑ The MHI is based on the 16th highest household income: \$23,193.

❑ Income limits for LMI in XXX County:

<u>1 person</u>	<u>2 person</u>	<u>3 person</u>	<u>4 person</u>	<u>5 person</u>
\$15,300	\$17,500	\$19,650	\$21,850	\$23,200

Ten households were at or below the LMI level: 32.3%.

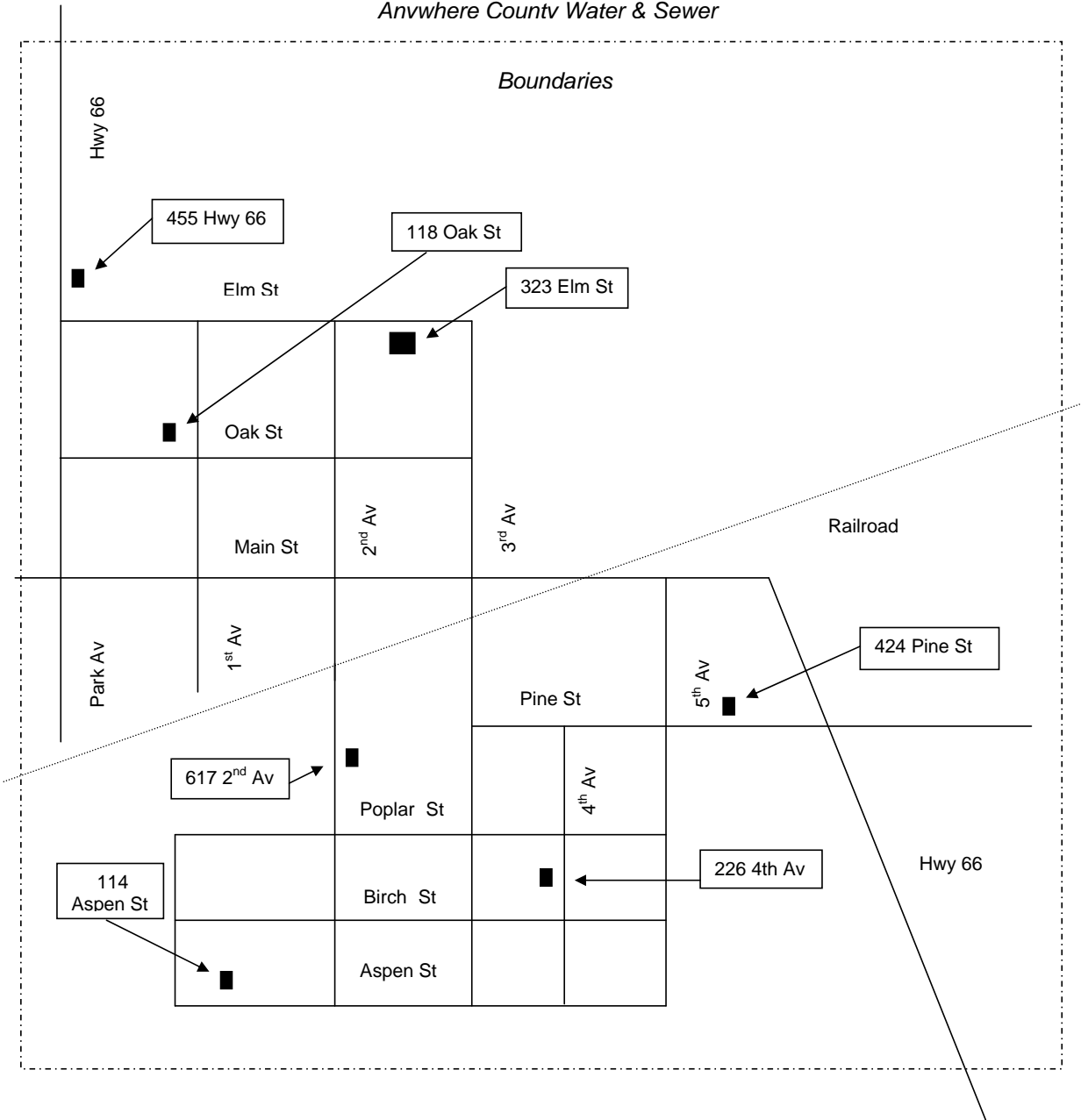
❑ There were four households at or below the Poverty level: 12.9%.

POVERTY FIGURES TO BE INSERTED HERE

Anywhere, Montana

Anywhere County Water & Sewer

Boundaries



APPENDIX I

COMPONENTS OF A BUSINESS PLAN

All business plan information and financial exhibits will be used for evaluation purposes only and considered confidential, and will not, except as required by law, be provided to any third person, firm, corporation, or public entity without the express written consent of the business.

A business plan can potentially be used in the analysis for scoring Statutory Priority #2 and/or #6. Statutory Priority #2 looks at financial need. A business plan, as described below, is required from the developer of residential property, or from any businesses that would benefit from a purely economic development related project.

In the case of un-developed land, a detailed proposal must be submitted describing how the land will be developed. If the land will be developed for housing, the number of housing units and the type of housing that will be built is required, along with the expected price range of the housing. If the land will be developed for commercial and industrial use, the number, type and size of the businesses is required, along with the number and type of jobs created. The applicant must describe the timelines involved in the build-out of the development, in addition to addressing how the infrastructure improvements will be financed until build-out occurs. The applicant must also address how the infrastructure improvements would be financed if the land fails to be developed as proposed after the improvements are constructed.

In the case of economic development related projects, the applicant must provide a narrative describing why the businesses to be served could not pay for the infrastructure improvements.

A business plan is also required for Statutory Priority #6 in order to potentially receive the maximum number of points.

In order to evaluate financial need under Statutory Priority #2, each business plan must include all of the elements described below and provide sufficient detail for a complete analysis. In order to evaluate financial need under Statutory Priority #6, the information provided does not need to be in as much detail as described below, however, the business plan must contain sufficient information for the Department to obtain an adequate understanding of the business that will benefit from infrastructure improvements, including the products or services offered, estimated market potential, management experience of principals, current financial position, number of jobs to be returned or created, and other important details of the proposed venture.

Business Description

Include the number of years in business, the form of business organization, a project timetable, a description of the company or enterprise, and an explanation of the products or services offered.

Management

Provide the names, titles, and resumes of each principal to be responsible for the management of the business.

Market

Discuss the present or proposed market area and share, with future projections, and provide an explanation of how the information was developed (for example, market surveys). Document any identified potential markets (for example, contracts, letters, or other evidence of interest in the product(s) by potential buyers or distributors), especially if sales projections show annual increases exceeding 25%.

Financial Exhibits

An applicant that is providing the business plan for the purpose of providing documentation for Statutory Priority #6, need not provide all of the financial exhibits listed below. However, the applicant must provide sufficient financial information about the business to satisfactorily demonstrate that the business has adequately analyzed its potential viability.

The business must be able to show that projected cash flow will be sufficient to cover projected debt service and that a positive net worth can be attained. The projections must include a narrative explanation of how the figures and assumptions were derived with special emphasis on any changes in major assumptions from existing conditions (i.e., changes in cost of goods sold and general administrative expenses as a percentage of sales, or if sales increases exceed 25% annually). **The business plan must include the following financial exhibits:**

□ Financial Statements - For an existing business, provide the following financial statements for the three most recent years of operation:

- ✓ Balance Sheets
- ✓ Profit and Loss Statements
- ✓ Cash Flow Statements

Current financial statements compiled or reviewed by an independent certified public accountant, with full disclosure notes, are required for businesses that have been in operation for more than one complete business fiscal year. In addition to the CPA-prepared year-end financial statements, internally prepared interim financial statements will also be accepted. A responsible officer of the business must sign all financial information. Financial statements must also include a current Aging of Accounts Receivable and Payable. There should not be significant gaps (not more than 90 days) between the historical statements and the projected statements. The projections should use the same fiscal year periods as the historical financial statements.

□ Financial Projections - For new businesses and for existing business, provide the following financial projections for three years:

- ✓ Proforma Balance Sheet
- ✓ Projected Balance Sheets
- ✓ Projected Profit and Loss Statements
- ✓ Projected Cash Flow Statements

Earnings projections must include a projected monthly cash flow analysis for at least one year and until the break-even point is projected to be reached by the business. For a business that experiences regular or occasional cyclical variations in cash flow, provide a

narrative explanation of the reason(s) for the occurrence of the cycles. Also, explain the effect, if any, on the business's ability to meet its debt obligations identified in the existing and projected debt schedules.

❑ Debt Schedule

Provide descriptions of all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements. Financial statements should include current maturity's of long term debt and adjusted principal balances. All debt sources must be identified independently and not combined into one long-term debt number on the balance sheet. Principal and interest payments for at least three years should be included for all sources.

❑ Working Capital Needs

Provide information on working capital needs and verify through cash flow projections, explaining changes in inventory and receivables.

❑ Requirements for Business Owners with 20% or more ownership in the proposed project

Provide personal financial statements and tax returns; personal or corporate income tax returns for all affiliated businesses; personal guarantees; and personal credit check release.

❑ Hiring and Training Plan

Provide information on the breakdown of jobs to be created or retained, including the number and type of jobs that are full-time, part-time, skilled, semiskilled, or unskilled positions (provide job titles, descriptions and rates of compensation). For positions involving less than full-time employment, estimate of the number of hours to be worked each week for each position. Estimate of number of positions and the date that job openings will be available. Describe any kind of training that will be provided to the employees and estimated cost. Estimate the number of employees anticipated to be trained. Describe the method of training, how the training will be accomplished and by whom. Estimate the duration of the training period and when the training period is expected to begin and end.

Applicants should include any other information that may be helpful in documenting the economic viability of the project or the need for grant funds.

APPENDIX J

SUGGESTIONS FOR WRITING SUCCESSFUL TSEP APPLICATIONS

1. **Approach the Application Guidelines Methodically, Step-by-Step.** Use the guidelines like a checklist. Be sure to complete each requirement, and answer all parts of the statutory priority and sub-criteria. If you feel any requirement, statutory priority, or sub-criteria do not apply to your project, be sure to address each with "N/A" (not applicable).
2. **Understand the requirements.** Montana's TSEP Application Guidelines try to clearly explain the basic requirements of the program and the ranking criteria that will be used to score your application. If you have any questions or anything is unclear to you, call the Department of Commerce TSEP staff. Don't wait until the last minute if you have any questions about the Application Guidelines.
3. **Form a Steering Committee or Task Force.** While it usually works best to have one person responsible for writing and assembling the application, preparation of a competitive TSEP application is not just a one-person job. After you have determined which requirements will apply, break the tasks into individual assignments. Put together a calendar to make sure you have the time to get all the required tasks done and schedule completion dates for each.
4. **If you were an unsuccessful applicant previously, make arrangements with Department of Commerce TSEP staff to review the ranking of your application.** Find out what areas might be improved. What were the differences in the successful applications that caused them to be ranked higher? (You can also borrow copies of successful applications to get ideas on how to prepare a stronger application.) Even if your application received a maximum score on a particular criterion, review your response to see if it can be strengthened further. Because the application ranking process is based on a comparison of those submitted, there is no guarantee that your application will receive the same score that it did the previous year.

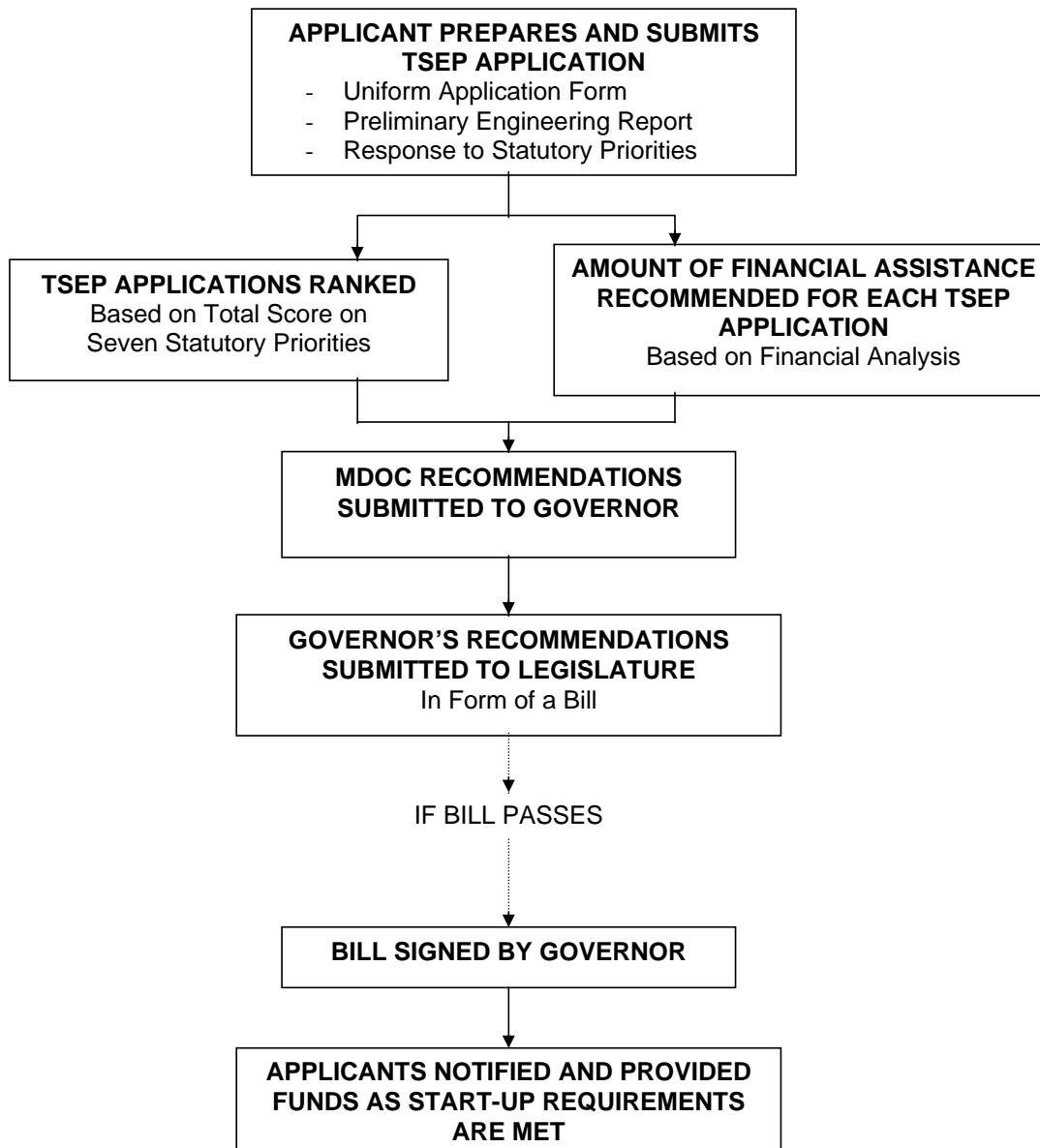
ORGANIZING AND WRITING YOUR APPLICATION

1. **Be concise and well organized.** Despite some impressions to the contrary, TSEP applications are not scored by their weight. In fact, excessive length and volume actually can hurt because it wears out the reviewer and makes it more difficult to follow the thread of your proposal through a lot of paper. Make sure that anything you include is really pertinent to making your case and not just filler. The Department of Commerce has a goal of funding good projects, not just good applications; however, a well organized application with a logical progression of ideas and clearly labeled exhibits and appendices make it that much easier to understand the case you are making for your community. Please follow the suggested application format.

2. **Be complete.** Your application must speak for itself and anticipate all the likely questions that might be asked. Don't assume that the people who will review your application know your community or your situation. The ranking team will be composed of Department of Commerce staff that may not have detailed knowledge of your community or your situation. Describe the circumstances clearly and thoroughly.
3. **Include documentation.** Include documentation in your application to support the information you provide answering the statutory priorities.
4. **Arrange for review of the draft application before it is submitted.** Someone other than the grant writer should review a preliminary draft of the application. This could include members of the steering committee or task force referred to on the previous page. They can serve as editors and raise questions or spot gaps or inconsistencies in your arguments that you may not be able to see because you are too involved in the project to be aware of them. Getting others involved can bring in a fresh perspective that may question some of your assumptions or see weaknesses that you cannot.

APPENDIX K

TSEP APPLICATION FLOWCHART



APPENDIX L

SAMPLE RESOLUTION

TO AUTHORIZE SUBMISSION OF TSEP APPLICATION

Each application for TSEP funds must be accompanied by a copy of a resolution formally adopted by the applicant and authorizing:

- the submission of the TSEP application in compliance with the TSEP Application Guidelines, and
- the applicant's chief elected official or chief executive officer to act on its behalf in regard to the application and to provide such additional information as may be required.

The resolution must also indicate the governing body's intent to commit to any funding for the project that will be provided by the applicant.

Applicants must have the legal jurisdiction and authority to finance, operate and maintain the proposed facility and, where applicable, must have the demonstrated financial capacity to repay any debt incurred. In all cases, the applicant assumes complete responsibility for proper financial management of the TSEP funds awarded to it and compliance with all State laws and regulations. Pursuant to Section 2-7-504, MCA, all TSEP recipients must be able to demonstrate that their financial management systems meet generally accepted accounting principles before MDOC will disburse TSEP funds for a local project.

See sample resolution on next page.

Sample of a resolution
to authorize submission of TSEP application

WHEREAS, the (Name of applicant) is applying to the Montana Department of Commerce for financial assistance from the Treasure State Endowment Program (TSEP) to (describe purpose of project);

WHEREAS, the (Name of applicant) has the legal jurisdiction and authority to construct, finance, operate, and maintain (the proposed public facility);

That the (Name of applicant) agrees to comply with all State laws and regulations and the requirements described in the TSEP Application Guidelines and those that will be described in the TSEP Project Administration Manual;

That the (Name of applicant) commits to provide the amount of matching funds as proposed in the TSEP application; and

That (name of Chief Elected Official or Chief Executive Officer), (title), is authorized to submit this application to the Montana Department of Commerce, on behalf of (Name of applicant), to act on its behalf and to provide such additional information as may be required.

Signed: _____

Name: _____

Title: _____

Date: _____

Attested: _____

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However, the MHI figures taken from the decennial census data, upon which target rates are computed, become less accurate over time. As a result of target rates being adjusted only once, every ten years, the target rate that is used for the ten-year period increasingly does not reflect the actual increases in incomes and rates paid by the systems' users as the census data gets older. In addition, because the target rate is adjusted only once, every ten years, the target rates increase significantly with the new MHI figures.

In order to compensate for the inability to adjust target rates on a more frequent basis, and to lessen the degree to which target rates increase every ten years, the "multiplier" increases by 2% every two years. In 2006 the target

percentage will be multiplied times 92%, in 2008 - 94%, in 2010 - 96%, and in 2012 - 98%. When new census data is available in 2014 and new target percentages are computed, MDOC will start all over again by multiplying the target percentage times 90% and then again increasing the amount by 2% every two years.

As a result of a comment on the draft guidelines, MDOC decided to maintain some discretion in making this adjustment. Because increasing the multiplier by 2% each cycle could potentially be too aggressive, compared to actual inflation, MDOC will examine the annual income estimates provided by the U.S. Census Bureau. Based on the estimates for the statewide MHI, MDOC may lower the multiplier in any given funding cycle over the next ten years.

Because the U.S. Census is taken only once every ten years, and significant economic and demographic changes can occur in a community during that time, TSEP applicants are allowed to conduct an income survey in order to collect and revise the income figures for the community. Another reason for conducting an income survey might be because there are numerous other households included in the census data, but they are not included within the area served by the water, wastewater, or solid waste system. These additional households can potentially cause the income figures to be considerably higher than they would be if they were not included.

However, unlike other programs that allow income surveys to simply demonstrate that an applicant meets eligibility requirements, TSEP will need actual income figures to calculate new income data (the median household income [MHI], the percent of households that are low to moderate income [LMI], and the percent of households below poverty level) and calculate the target rate for the applicant. As a result, the applicant will need to survey households in order to obtain the actual amount of the household income.

An income survey should not be attempted unless absolutely necessary, since people are extremely reluctant to provide their household income. As a result, it is particularly important for the applicant to have an effective public participation process and a clear acceptance of the project by the community in order to achieve a successful income survey. The applicant should have a reasonable belief that people are willing to provide this information before beginning the income survey process, due to the time and expense involved in conducting the survey.

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An impartial, non-profit organization, such as a Human Resource Development Council (HRDC) must be used to conduct the survey. The organization conducting the survey must ensure the confidentiality of the information collected. Controls should be setup in order to ensure that individuals involved in conducting the survey cannot identify any particular person's income. Both parts of the completed survey form should never be viewed at the same time.

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